# The CEO Post-Succession Process:
# Dynamics of Personal Integration and Strategic Change

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# 1 Introduction

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## 1.1 CEO Post-Succession as an Area of Research

As a result of its significant impact on organizational life, CEO succession has been the focus of substantial attention in the fields of strategy, organization, and corporate finance in the last few decades (for reviews see: Giambatista, Rowe, and Riaz, 2005; Kesner and Sebora, 1994). The literature shows that as a general phenomenon CEO succession is constituted by different episodes, which are characterized by different themes and dynamics. The literature has contributed to a rich understanding of the factors explaining CEO dismissal (Fredrickson, Hambrick, and Baumrin, 1988; Haleblian and Rajagopalan, 2006; Shen and Cho, 2005), the complex dynamics of choosing a successor (Ocasio, 1994; Zajac and Westphal, 1996; Zhang and Rajagopalan, 2003), and the impact of succession on organizational outcomes (Miller, 1993; Shen and Cannella, 2002; Zhang and Rajagopalan, 2004). Over the last decade or so, scholars have been taking an increasing interest in what happens after the arrival of a new CEO, a phenomenon that can be called the CEO post-succession process (Denis, Langley, and Pineault, 2000; Fondas and Wiersema, 1997; Hutzschenreuter, Kleindienst, and Greger, 2012; Karaevli and Zajac, 2013; Miller, 1993; Quigley and Hambrick, 2012; Weng and Lin, 2014; Xuan, 2009). This process represents an important episode of organizational life, which is typically characterized by a high level of disruption and instability due to the development of new policies, strategies, norms, and interpersonal relationships (Friedman and Saul, 1991; Grusky, 1960; Haveman, 1993; Helmich and Brown, 1972). It also represents a considerable challenge for new CEOs, as they may need to manage the changes and disruptions to immediately establish personal influences in organizations (Denis *et al.*, 2000; Gabarro, 1987). As a result, the CEO post-succession process is a topic both of scholarly interest and of central importance to practitioners (Gilmore, 1988; Harvard Business Review, 2009; Porter, Lorsch, and Nohria, 2004).

Because of its importance in organizations, the CEO post-succession process has been studied with various interests and from various perspectives. While corporate finance researchers focus on the changes of financial policies (Pourciau, 1993; Xuan, 2009) and strategy scholars emphasize the transformation of strategic directions (Bigley and Wiersema, 2002; Greiner and Bhambri, 1989; Hutzschenreuter *et al.*, 2012; Karaevli and Zajac, 2013), organizational researchers are more interested in how new CEOs adjust and adapt to the internal structures (Denis *et al.*, 2000; Gabarro, 1987; Miller, 1993). In line with the diversity of interests, the existing studies have drawn on a wide array of theoretical lenses, such as upper echelons and managerial cognition (Boeker, 1997; Datta, Rajagopalan, and Zhang, 2003; Ndofor, Priem, Rathburn, and Dhir, 2009; Weng and Lin, 2014; Wiersema, 1992), organizational evolution (e.g., Miller, 1993; Romanelli and Tushman, 1994), socialization (e.g., Denis *et al.*, 2000; Fondas and Wiersema, 1997; Gabarro, 1979), and agency theory (Berger and Ofek, 1999; Davidson, Jiraporn, Kim, and Nemec, 2004). These diverse research interests and theoretical perspectives suggest that the CEO post-succession process is a multifaceted phenomenon.

A close examination of this diverse literature reveals that the CEO post-succession studies are centrally concerned with the question of how the match between the CEO, the organization, and the environment is created or maintained in the period ensuing the arrival of the new leader. On the one hand, researchers have examined the dynamics of personal integration, i.e., how new CEOs manage to create a fit between themselves and the organization, which is crucial for effective leadership (Denis *et al.*, 2000). This often involves developing relationships with different social groups (Gabarro, 1979; Grusky, 1969; Xuan, 2009) and reconfiguring the top management team (TMT) (Helmich and Brown, 1972), in order to gain support and establish authority. On the other hand, researcher are interested in the dynamics of strategic change, i.e., how new CEOs realign the organization with the environment, taking into account that new CEOs typically have low commitment to the status quo and tend to introduce new perspectives (Hambrick and Fukutomi, 1991). The effort of strategic change often involves transforming the strategic direction, the asset portfolio, the structure, and the control system of the organization (Barker and Mone, 1998; Boeker, 1997; Miller, 1993; Romanelli and Tushman, 1994; Wiersema, 1992, 1995). While the purpose of personal integration is to create a fit at the group level, i.e., between the CEO and different groups of individuals, the purpose of strategic change is to create a fit at the organizational level, i.e., between the organization and its environment.

This dissertation focuses on the CEO post-succession process and strives to generate a deeper, richer, and more comprehensive understanding of the dynamics of personal integration and strategic change. Before introducing the three studies that constitute this dissertation, I will provide a brief review of the theoretical perspectives in the existing research and sketch out a practice perspective that underlies all of my studies.

## 1.2 Existing Theoretical Perspectives for Studying CEO Post-Succession

As shown in Table 1, various theoretical perspectives have been applied in the existing research with each focusing on particular aspects of the CEO post-succession process. One prominent perspective is upper echelons theory, which is centrally concerned with how top managers affect strategic outcomes. Seeing the organization as a reflection of its top managers, upper echelons theory argues that the experiences, values, and personalities of TMT members will influences how they perceive the environment and their strategic choice (Hambrick, 2007; Hambrick and Mason, 1984). Applying an upper echelons perspective, researchers have examined how new CEOs' demographic background and job experiences influence the changes of product and market strategies, organizational structures, decision-making processes, and the TMT (Boeker, 1997; Datta *et al.*, 2003; Ndofor *et al.*, 2009; Weng and Lin, 2014; Wiersema, 1992, 1995; Wischnevsky and Damanpour, 2008). For example, in contrast to internally promoted CEOs, new CEOs recruited from outside are found more likely to initiate such changes as they tend to bring in a cognitive perspective that is different from the dominant perspective within the organization and to have a low commitment to the status quo (Karaevli and Zajac, 2013; Kesner and Dalton, 1994; Wiersema, 1992; Zhang and Rajagopalan, 2010). Another prominent theoretical perspective in the literature is agency theory, through which researchers examine the ways in which new CEOs realign management interests with the firm by refocusing strategy and divesting unprofitable assets (Berger and Ofek, 1999; Weisbach, 1995), engage in self-interested behaviors, such as earnings management, to secure their position (Harrison and Fiet, 1999; Pourciau, 1993), or are mandated to conduct strategic change (Westphal and Fredrickson, 2001). The studies that draw on upper echelons or agency theory sometimes incorporate a power perspective in order to understand how the power a new CEO possesses influences his or her latitude of initiating strategic change or engaging in self-interested behaviors (Bigley and Wiersema, 2002; Davidson *et al.*, 2004; Quigley and Hambrick, 2012; Xuan, 2009).

Some other studies adopt the perspective of organizational evolution and learning to explain how CEO succession as a mechanism to break inertia and to subsequently trigger change for strategic reorientation or organizational transformation (Lant, Milliken, and Batra, 1992; Miller, 1993; Romanelli and Tushman, 1994). Adopting an institutional theory perspective, Kraatz and Moore (Kraatz and Moore, 2002) even find that the executive exchange among organizations can help generate and diffuse new strategic programs and contribute to institutional change in a highly institutionalized field. While these studies investigate strategic change as an outcome of CEO succession, some scholars focus on the process of such change by taking a strategic intervention perspective (Greiner and Bhambri, 1989). For example, Greiner and Bhambri (1989) conceptualize deliberate strategic change as an intervention and identify a "comprehensive/collaborative" intervention approach through which a CEO successfully made an intended change in the case they studied. The authors develop a six-stage model of change intervention, in each different stage of which the CEO needs to focus on specific issues. Moreover, some studies use a management control perspective to study the ways in which new CEOs enact formal control systems in order to initiate the desired strategic change (Barker and Mone, 1998; Simons, 1994). For example, Simons (1994) finds that new CEOs mobilize and change four types of formal control systems to initiate and implement new strategies.

**Table 1: Existing theoretical perspectives on studying the CEO post-succession process**

| **Theoretical lens** | **Focus** | **Exemplary studies** |
|---|---|---|
| Agency theory | Strategic refocusing and divestiture;<br>Self-interest behaviors, such as earnings management, coalition building, etc.;<br>Influence of the Board on strategic choice | Berger and Ofek (1999)<br>Davidson, Jiraporn, Kim, and Nemec (2004)<br>Harrison and Fiet (1999)<br>Pourciau (1993)<br>Weisbach (1995)<br>Westphal and Fredrickson (2001) |
| Discourse | Use of language in gaining positive perception and external support | Fanelli and Grasselli (2006)<br>Fanelli, Misangyi, and Tosi (2009) |
| Institutional theory | Influence of executive migration on institutional change | Kraatz and Moore (2002) |
| Management control system | Change of formal control systems | Barker and Mone (1998)<br>Simons (1994) |

| | | |
|---|---|---|
| Organizational evolution, organizational learning | Strategic reorientation, organizational transformation;<br>Change of structure and decision-making process | Lant, Milliken, and Batra (1992)<br>Miller (1993)<br>Romanelli and Tushman (1994) |
| Power | Influence of power on the latitude of CEO's activities, such as strategic change, earnings management, etc. | Bigley and Wiersema (2002)<br>Davidson, Jiraporn, Kim, and Nemec (2004)<br>Quigley and Hambrick (2012)<br>Xuan (2009) |
| Resource dependence, social embeddedness | Influence of resource dependence on reconstituting external relationships | Westphal, Boivie, and Chng (2006) |
| Role theory, socialization | Influence of CEO socialization on strategic change;<br>Process of CEO socialization and integration | Denis, Langley, and Pineault (2000)<br>Fondas and Wiersema (1997)<br>Gabarro (1979) |
| Strategic intervention | Process of intervening in the organization for strategic change | Greiner and Bhambri (1989) |
| Upper echelons, managerial cognition | Influence of CEO demographic background and job experiences on strategic change, structural change, and TMT change | Boeker (1997)<br>Datta, Rajagopalan, and Zhang (2003)<br>Ndofor, Priem, Rathburn, and Dhir (2009)<br>Weng and Lin (2014)<br>Wiersema (1992)<br>Wischnevsky and Damanpour (2008) |

Role theory and its extension organizational socialization are further perspectives used to examine the CEO post-succession process. From a role theory lens, an organization is constituted by a system of interrelated roles (Katz and Kahn, 1978). Therefore, taking charge involves enacting the various role relationships that will constrain or enable what the new CEO can do (Denis *et al.*, 2000). While some scholars focus on the importance of the new CEO's socialization and the socialization context in the current organization to predict the likelihood of strategic change initiated by the CEO (Fondas and Wiersema, 1997), others emphasize the importance of the CEO gaining acceptance in and being integrated into the organization, which is crucial for effective leadership (Denis *et al.*, 2000; Gabarro, 1979). While the studies taking a role theory perspective focus on interpersonal relationships within the organization, others focus on the new CEO's relationship to external stakeholders by engaging two different perspectives: one is resource dependence, by which scholars examine why new CEOs tend to establish personal relationships with the leaders of some organizations and not others (Westphal, Boivie, and Chng, 2006). The other perspective focusing on external stakeholders is discourse theory, which is adopted to study how new CEOs use particular language to create a positive impression among external stakeholders (Fanelli and Misangyi, 2006; Fanelli, Misangyi, and Tosi, 2009). For example, Fanelli and Grasselli (2006) find that using categories and labels, as well as prototypical and emotional language, in external communication helps CEOs to project charisma and thereby be positively perceived by investors.

While existing research has yielded many important insights by adopting various perspectives, there is a lack of focus on the activities of new CEOs as most of them examine post-succession outcomes and their relevant conditions. In fact, as Miller (1993: 656) noted, "most past research […] has failed to examine what new leaders *do*." The reason can be that many perspectives in existing studies are better suited to examine static relationships than dynamic phenomena. In the next section, I will introduce a practice perspective that underlies my three studies and seems to be complementary to the existing perspectives by emphasizing the doings of new CEOs in the post-succession process.

## 1.3 A Practice Perspective on CEO Post-Succession

Corresponding to the practice turn in social theories (Schatzki, Knorr-Cetina, and Savigny, 2001), practice theory has been increasingly applied to various areas of organizational and management research, such as strategy, knowledge, routines, technology, and institutionalism (Feldman and Orlikowski, 2011). While the term "practice" is used slightly differently in different streams of practice theory, it essentially denotes a socially shared, recurrent pattern of activities (Feldman and Orlikowski, 2011; Reckwitz, 2002; Whittington, 2006). It is such patterns of activities that make up the "internal life of process" (Brown and Duguid, 2000: 95) in organizations. A practice perspective emphasizes the importance of understanding the actual activities that constitute any larger social phenomenon of interest (Feldman and Orlikowski, 2011; Whittington, 2006). Applied in strategy research, for example, a practice perspective directs scholarly attention to investigating the "doing" of strategy practitioners (Golsorkhi, Rouleau, Seidl, and Vaara, 2010; Jarzabkowski, 2003; Johnson, Langley, Melin, and Whittington, 2007; Vaara and Whittington, 2012; Whittington, 2006).

As the development of the post-succession process depends very much on the specific activities of the CEO, it seems important to examine these activities in order to generate a deep understanding of this process. Practice theory provides a particularly fruitful perspective for studying the CEO post-succession process because it is able to take into account the micro-level activities of new CEOs. This is also stressed by Orlikowski when she writes: “A practice perspective, because it entails a theoretically grounded understanding of recursive interaction among people, activities, artifacts, and contexts, is particularly well positioned to address organizational phenomena that are posited to be relational, dynamic and emergent” (Orlikowski, 2010: 26-27). While a comprehensive review of practice theory goes beyond the scope of this introduction (for an overview see Nicolini 2012), I want to draw on some basic principles shared by different streams of practice theory (Feldman and Orlikowski, 2011; Nicolini, 2012) to illustrate the potential of a practice perspective for studying the CEO post-succession process.

First, a practice perspective directs our attention to the practices and the actual activities of performing them in the CEO post-succession process. For example, the literature suggests that new CEOs often enact practices of strategic change, but many studies examine the change as an outcome without looking at how it is actually carried out (Greiner and Bhambri, 1989). As a result, we know little about the particular challenges new CEOs face and how they deal with them when initiating strategic change in the post-succession process. A practice perspective sensitizes us to understand what and how practices are employed by new CEOs and other actors who are directly involved in the post-succession process. Moreover, a practice perspective emphasizes that practices are always embedded in a web of other practices that influence each other mutually (Nicolini, 2012). This suggests that each practice acts as a context for other practices, which in turn suggests that practices are likely to be co-constructed and to co-evolve. In this sense, a practice perspective allows us to see how different practices are performed in relation to each other in the post-succession process, an aspect that has not gained enough attention in the existing studies.

Second, a practice perspective directs our attention to the role of the actors, or “practitioners” as Whittington (2006) says, who are involved in specific practices in the post-succession process. The existing literature has largely focused on new CEOs as the practitioners, showing how their characteristics influence the likelihood of them engaging in particular post-succession practices. However, little attention has been paid to other practitioners, such as other TMT members or board of directors. For example, although some studies suggest that new CEOs replace TMT members to initiate strategic change (Karaevli, 2007; Lin and Liu, 2011; Wischnevsky and Damanpour, 2008), we know little about how the existing and newly appointed TMT members engage in carrying the intended change. In addition, practice theorists have shown that characteristics of practitioners often change as a result of their engagement in practices (Jarzabkowski, Balogun, and Seidl, 2007). Therefore, adopting a practice perspective allows us to examine various practitioners and how they influence and are influenced by the CEO post-succession process.

Third, a practice perspective points to the co-evolution of practices and the contexts in which both the practices and practitioners are embedded (Feldman and Orlikowski, 2011; Jarzabkowski, Kaplan, Seidl, and Whittington, 2015; Nicolini, 2012). The existing research largely takes contexts as static in the post-succession process. For example, recent research has shown that a particular context can enable or constrain the new CEOs' efforts to engage in particular practices aimed at strategic change or personal integration (Karaevli, 2007; Karaevli and Zajac, 2013; Krieger and Ang, 2013). However, these studies have not looked at without how the context can be enacted by new CEOs and therefore enable or constrain how they engage in particular practices in the future. A practice perspective can sensitize us to understand better how activities and contexts shape each other in the CEO post-succession process.

Although in each study of this dissertation I draw on particular conceptual foundations, the practice perspective serves as a sensitizing device (Blaikie, 2000; Bowen, 2006; Charmaz, 2003) for all three studies by directing my attention to and accounting for the doings of new CEOs. This is likely to result in a more sophisticated theorization of the post-succession process that is able to account for its complex and dynamic nature.

## 1.4 Overview of the Three Studies

All informed by a practice perspective, the three papers that constitute this dissertation examine the different aspects of the CEO post-succession process. Table 2 provides an overview of the three papers by summarizing their focuses, conceptual foundations, and methods. The first paper, co-authored with David Seidl and Stéphane Guérard, was accepted for publication in the *International Journal of Management Reviews*. In this paper, I adopted a practice perspective to critically access the existing literature and outline directions for future research on what new CEOs do in the post-succession process. The existing research on this important process has grown rapidly over the last decade focusing particularly on the question of how the match between the CEO, the organization and the environment is created. Yet, the respective literature is highly fragmented by diverse research interests and theoretical perspectives. This diversity has made it difficult for scholars to build on each other's work, hampering progress in this important field of research. Against this background, a comprehensive review of the available research seemed both necessary and timely. Adopting the conceptual vocabulary of the practice perspective, this paper reviews this literature in terms of what it reveals about (1) the practices adopted by new CEOs and other actors involved in the post-succession process, (2) the properties of the key practitioners involved, and (3) the practical context of the post-succession process. The review suggests that new CEOs are primarily involved in practices aimed at integrating the new CEO into the organization and practices aimed at realigning the organization with its environment. This paper identifies the important insights that the existing literature affords and highlights the gaps in this body of research. On this basis, I develop a concrete research agenda in terms of topics, methodologies, and theories.

**Table 2: Dissertation components**

| Title | Focus | Conceptual foundations | Methods | Main data |
|---|---|---|---|---|
| 1. The new CEO and the post-succession process: an integration of past research and future directions | Review of the literature on new CEOs and development of future directions | A practice framework (for literature analysis) | Literature analysis of existing studies | 59 articles |
| 2. New CEOs and their immediate collaborators: divergence and convergence between the strategic apparatus and the top management team | Establishment and evolution of new CEOs' group of immediate collaborators | Role theory; upper echelons theory (implicit: practice theory) | Longitudinal comparative case study of eight firms | 130 interviews; 233 documents |
| 3. The role of substantive actions in sensegiving during strategic change | Mechanisms of substantive actions contributing to new CEOs' sensegiving | Sensemaking and sensegiving (implicit: practice theory) | Longitudinal comparative case study of three firms (two firms from study 2) | 76 interviews (31 from study 2); 1,149 pages of documents |

With this review of research on the CEO post-succession process my first paper contributes to the literature in two ways: first, mobilizing conceptual categories of the practice perspective it provides a comprehensive overview of the fragmented literature in terms of what we know about the ways in which the match between CEO, organization and environment is created in the post-succession process. The paper thereby also revealed manifest and latent linkages between previously unconnected lines of inquiry. This will make it easier for researchers to build on the existing works and thus create a cumulative body of knowledge. Second, in this paper I developed a research agenda on the CEO post-succession process, providing some guidelines for future studies in terms of topics, methodologies, and theories. I believe that these will help in generating a richer, broader, and deeper understanding of this complex and dynamic process.

The second paper, co-authored with David Seidl, is currently under review at the *Strategic Management Journal* for the special issue “Strategy Processes and Practices: Dialogues and Intersections.” In this paper, I draw on role theory to examine new CEOs’ practices of establishing a group of immediate collaborators in order to direct their organization. Role theory is mobilized because it has been adopted by practice scholars and proven fruitful in generating novel insights into the dynamics of strategic leadership (Denis, Lamothe, and Langley, 2001; Denis *et al.*, 2000; Denis, Langley, and Sergi, 2012). An important challenge of new CEOs is to establish an effective group of close collaborators within the organization, which I call the “strategic apparatus” because of its function in shaping organizational strategy. The members of the strategic apparatus are in direction collaboration with the CEO and involved in multiple strategic issues and decisions in contrast to their peers who were either involved in only a particular strategic issue or in charge of only operational responsibilities. Drawing on a longitudinal qualitative study of eight firms, I examine how the strategic apparatus of new CEOs evolves over time. In particular, I show that the composition of the strategic apparatus initially tends to differ from that of the top management team (TMT) because of constraints on the CEO in terms of changing the TMT. In some cases, the strategic apparatus simply consists of a subgroup of the TMT, whereas in other cases it consists of members of the TMT and individuals not on the TMT, such as staff members, lower-level managers and/or members of the board. In addition, this paper shows that discrepancies between the composition of the strategic apparatus and the TMT can lead to tensions that can trigger a process of convergence between the two, particularly as restrictions on changing the TMT are alleviated and as the functions of the apparatus change.

With these findings my second paper contributes to the CEO succession literature by showing how, when, and why new CEOs change their TMT, the constraints they face, and how they deal with them in order to direct the organization. Thereby, this research helps to uncover the black box between the CEO succession event and its organizational outcomes (Miller, 1993; Pitcher, Chreim, and Kisfalvi, 2000). Furthermore, my study contributes to the upper echelons literature by identifying the mechanisms underlying the development of the TMT, responding to recent calls for studies on how the TMT is formed and how it evolves (Hambrick, 2007: 338).

In the third paper, which is to be submitted to the *Academy of Management Journal*, I study how new CEOs enact practices of strategic change by drawing a sensemaking perspective (Gioia and Chittipeddi, 1991; Weick, 1995), which has been used by many practice scholars in examining strategic change process (Balogun and Johnson, 2004, 2005; Cornelissen and Schildt, 2015; Rouleau, 2005; Rouleau and Balogun, 2011; Vaara, 2003). This paper focuses on new CEOs' sensegiving activities that are aimed at creating meaning for the intended change. This paper systematically investigates how substantive actions, defined as any significant decision or activity of implementing the strategic change (Thomas, Clark, and Gioia, 1993), contribute to the adjustment of interpretive schemes during strategic change. Drawing on a longitudinal comparative case study of three firms, I find that by creating contexts and resources for sensegiving, substantive actions can be used to adjust the interpretive schemes of organizational members. In a direct way, top managers use actions for sense breaking, sense specification, and sense anchoring. In an indirect way, actions influence scheme change through the substantive outcomes they produced: such outcomes can be used to reinforce the new schemes that top managers promote and could lead to the further adjustments of these new schemes. In general, my findings show a pattern of sensegiving as scheme change while taking actions, which is in contrast to the typical pattern of scheme change before taking actions described in the literature (Gioia and Chittipeddi, 1991; Mantere, Schildt, and Sillince, 2012).

With these findings my third paper contributes to the literature by showing the mechanisms of how substantive actions contribute to scheme change in top managers' sensegiving. Existing studies typically focus on scheme change before taking substantive actions, for example through mobilizing symbols, metaphors, and narratives (Bartunek, Krim, Necochea, and Humphries, 1999; Corley and Gioia, 2004; Gioia and Chittipeddi, 1991; Gioia, Thomas, Clark, and Chittipeddi, 1994; Maitlis and Christianson, 2014; Mantere *et al.*, 2012). However, the role of substantive actions in sensegiving has been largely neglected. Our findings show that the two aspects of sensegiving, scheme change and action taking, are interwoven during strategic change, even though in a particular phase, one might be more prominent than the other. Therefore, our study contributes to a fuller understanding of top managers' sensegiving by showing additional ways in which schemes and actions can grow closer during strategic change.

## 1.5 Overall Contributions

The three papers compiled in this dissertation contribute to a deeper and richer understanding of the CEO post-succession process. Together they shed light on the dynamics of personal integration and strategic change in the post-succession process. In the following, I structure the overall contributions of my dissertation around the core concepts of practice theory (Feldman and Orlikowski, 2011; Jarzabkowski et al., 2015; Nicolini, 2012; Whittington, 2006) by showing how it contributes to our understanding of: (1) the interrelations between practices of personal integration and practices of strategic change, (2) the interaction between multiple practitioners involved in the post-succession process, and (3) the co-evolution of new CEOs' activities and the post-succession contexts.

First, this dissertation shows the interrelations between new CEOs' practices of personal integration and strategic change as a major feature of the CEO post-succession process. The first paper evaluates the existing literature and finds that the post-succession practices are aimed at two main purposes: personal integration that creates a fit between the CEO and the organization, and strategic realignment that creates a fit between the organization and its environment. The paper points out that although existing research typically focuses exclusively on one type of practices, the interrelation between them should be a promising area for future research. The second paper shows that the concerns of personal integration and strategic change are intermingled in the new CEOs' practices of creating a strategic apparatus, i.e., a group of immediate collaborators. This paper illuminates that new CEOs strive to create a strategic apparatus that can satisfy strategic orientation requirements, such as installing competence and commitment necessary for pursing new strategies, and personal integration requirements, such as gaining critical information and idea testing. Both papers point to the importance of understanding the interrelations between personal integration and strategic change to capture the dynamics of the post-succession process.

Second, this dissertation shows the important role of multiple practitioners and their interaction in shaping the post-succession process. By systematically analyzing the existing studies, the first paper identifies that new CEOs use various practices to integrate with different social groups internally and externally, and suggests the need to study systematically the integration of new CEOs into four distinct groups: the TMT, the board of directors, the group of middle managers, and the group of external stakeholders. The second paper shows that new CEOs collaborate closely with their strategic apparatus in order to direct their organization. Their strategic apparatus often includes individuals outside of the TMT, such as staff members or members of the board of directors. This paper also shows that the discrepancies between the strategic apparatus and the TMT frequently result in increasing interpersonal tension that over time leads to a gradual convergence between the strategic apparatus and the TMT. The third paper shows that when making strategic change, new CEOs often engage in sensegiving activities that are aimed at adjusting the interpretive schemes of organizational members in order to facilitate the intended change. Together, the three papers broaden our view of who is involved in the CEO post-succession process and show how the involved individuals interact with each other over time.

Third, this dissertation shows that new CEOs' activities and the post-succession contexts mutually influence each other. The first paper points out that researchers so far have largely treated the practical context as objectively given and as directly impacting the post-succession process but have failed to capture how the post-succession contexts are enacted and co-evolve with the practices that enact them. The second paper shows that when creating the strategic apparatus, new CEOs enact the contexts in which their practices are embedded. In order to direct the organization, they deliberately establish a configuration of relationships around them for personal integration and strategic orientation. They often cope with constraints of TMT change by excluding some TMT members and/or including individuals outside of the TMT for close collaboration. However, this paper shows that this coping often creates new contextual factors, i.e., tensions among TMT members and the strategic apparatus members, which lead to the further adjustment of the relationship between the two groups. The third paper shows that the actions of implementing change taken by new CEOs create new contexts and resources that significantly shape their sensegiving activities and further actions of change implementation. With these findings of the three studies, this dissertation suggests that in order to fully capture the dynamics of the CEO post-succession process, it is necessary to pay attention to the co-evolution between activities and contexts and how they mutually shape each other over time.

## 1.6 Limitations and Future Research

Like all research, this dissertation has limitations, which at the same time provide opportunities for future research. First, although the first paper suggests the cultural influence on the CEO post-succession process as a promising avenue for research, the second and the third paper have not focus on this aspect. In the second paper, the firms investigated are all based in Europe, even though some of them are multinationals. In the third paper, although one firm is based in China and the others are based in Europe, I have not explicitly compared the cases in terms of cultural influences. As a result, we do not know the cultural influence on the findings of this dissertation in specific and on the post-succession dynamics in general. However, we know particularly from practice theory that social practices are shaped by larger societal institutions and cultural norms in which they are embedded (Suddaby, Seidl, and Le, 2013). Some research also suggests that within different cultures new CEOs might exhibit somewhat different behavioral patterns (Nakauchi and Wiersema, 2015; Sakano and Lewin, 1999). For example, Sakano and Lewin (1999) find that in Japan strategic or structural changes are not observable in the first two years in contrast to the US where they are often observed in the first year of a new CEO's tenure. This suggests that the patterns of divergence and convergence between the strategic apparatus and the TMT found in the second paper and the pattern of sensegiving found in the third paper may appear differently in different cultures. Given that the international mobility of CEOs is increasing, researchers should explore more extensively how different national and cultural contexts affect what new CEOs are expected to do, are able to do, and cannot do during the post-succession process.

Second, an important topic that has not been examined in this dissertation but appears critical for understanding the dynamics of personal integration and strategic change is CEO identification. Recently there has been an increasing interest in CEOs' identification and its consequence on their strategic behaviors (Galvin, Lange, and Ashforth, 2015; Lange, Boivie, and Westphal, 2015; McDonald and Westphal, 2010, 2011). For example, some studies show that CEOs' identification with particular groups influences their willingness to provide strategic support to the members of those groups (McDonald and Westphal, 2010, 2011). This suggests that in order to fully understand what new CEOs do, it is necessary to look at who they think they are and in which way they identify with their new organization. For example, if a manager sees him- or herself as a turnaround manager, the CEO may enact the organization in a particular way. In addition, future research should also look at how new CEOs' identity and their identification with the organization are shaped by the practices they take. Practice theorists have shown that characteristics of practitioners often change as a result of their engagement in practices (Jarzabkowski *et al.*, 2007). For example, there is evidence that the identity of strategists tends to change when they engage in processes of strategic transformation (Beech and Johnson, 2005; Johnson, Balogun, and Beech, 2010).

Therefore, by investigating the mutual influence between new CEOs' identity and their activities in the post-succession process future research can generate a richer understanding on the interrelation between practitioners and practices.

Third, this dissertation examines the post-succession process largely from the perspective of the new CEO and has not focused on that of the stakeholders. As mentioned in the contribution sections, my thesis shows that new CEOs interact intensively with other individuals for personal integration and strategic change, such as working with individuals of different levels in their strategic apparatus shown in the second paper and as sensegiving aimed at influencing organizational members to support their intended change shown in the third paper. However, the two papers have not taken the perspective of those stakeholders directly involved in the post-succession process. For example, we do not know what the particular concerns of other top managers are when a new CEO arrives and how they cope with the post-succession challenges. In general, as shown in the first paper, current studies have mainly focused new CEOs and their activities without paying enough attention to other important actors in the post-succession process (see also Hutzschenreuter *et al.,* 2012). Hence, future research should acknowledge the active role of various stakeholders in shaping the post-succession process. For example, a recent work by Graffin, Boivie, and Carpenter (2013) investigated how members of the board of directors draw on contextual heuristics to evaluate the new CEOs' performance. This study found that, because of the uncertainty associated with CEO succession, it is difficult for the board of directors to evaluate a new CEO on the basis of financial performance and its members often draw on various heuristics to judge the new CEO's ability. Acknowledging the active role of multiple stakeholders in the post-succession process, future studies should investigate the practices that various stakeholders use to actively cope with or influence the incoming CEO, how various stakeholders influence the dynamics of personal integration and strategic change, and how different stakeholders influence each other in the post-succession process.

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# 2 The New CEO and the Post-succession Process: An Integration of Past Research and Future Directions[1]

Shenghui Ma, David Seidl, and Stéphane Guérard

## Abstract

The early tenure of a new CEO, also referred to as "the CEO post-succession process," is a critical phase in the history of an organization, because it is associated with a high rate of organizational failure and CEO dismissal. Research on this important process has grown rapidly over the last decade focusing particularly on the question of how the match between the CEO, the organization and the environment is created in the post-succession process. Yet, the respective literature is highly fragmented, which suggests that there is a need for a systematic review and evaluation of existing works. Adopting the conceptual vocabulary of the practice perspective, we review this literature in terms of what it reveals about (1) the *practices* adopted by new CEOs and other actors involved in the post-succession process, (2) the properties of the key *practitioners* involved, and (3) the *practical context* of the post-succession process. Our review suggests that new CEOs are primarily involved in practices aimed at integrating the new CEO into the organization and practices aimed at realigning the organization with its environment. We identify the important insights that the existing literature affords and highlight the gaps in this body of research. On this basis, we develop a concrete research agenda in terms of topics, methodologies, and theories.

**Keywords**

CEO succession; integration; new CEO; post-succession; practice theory; realignment; review; strategic change

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## 2.1 Introduction

Since the 1960s, the topic of CEO succession has received significant attention from scholars in the fields of strategy, organization, and corporate finance and accounting (for reviews see Giambatista et al., 2005; Kesner and Sebora, 1994). These works have addressed numerous aspects of this complex phenomenon, such as the factors that lead to CEO dismissal (Fredrickson et al., 1988; Haleblian and Rajagopalan, 2006; Shen and Cho, 2005), the dynamics of selecting a successor (Ocasio, 1994; Zajac and Westphal, 1996; Zhang and Rajagopalan, 2003), and the impact of succession on organizational outcomes (Miller, 1993; Shen and Cannella, 2002; Zhang and Rajagopalan, 2004). Over the last decade or so, scholars have been taking an increasing interest in what happens *after* the arrival of a new CEO, a phenomenon that can be called *the CEO post-succession process* (Denis et al., 2000; Fondas and Wiersema, 1997; Hutzschenreuter et al., 2012; Karaevli and Zajac, 2013; Miller, 1993; Quigley and Hambrick, 2012; Weng and Lin, 2012; Xuan, 2009). This research has centrally been concerned with the question of how the match between the CEO, the organization and the environment is created or maintained in the period ensuing the arrival of the new leader. More specifically, researchers have examined how new CEOs manage to create a fit between themselves and the organization, which is crucial for effective leadership (Denis et al., 2000), and how they realign the organization with the environment, taking into account that new CEOs typically have low commitment to the status quo and tend to introduce new perspectives (Hambrick and Fukutomi, 1991; Miller, 1993). How new CEOs manage these relationships on different levels, i.e. between the CEO and the organization and between the organization and the environment, is a question both of scholarly interest and of central importance to practitioners (Gilmore, 1988; Harvard Business Review, 2009; Porter et al., 2004).

Because there are many facets to the CEO post-succession process and diverse research interests and theoretical perspectives, the existing literature on this process is highly fragmented. For example, while research on corporate finance focuses on changes in financial policies (Pourciau, 1993; Xuan, 2009), research on strategy emphasizes changes in strategic directions (Bigley and Wiersema, 2002; Greiner and Bhambri, 1989; Hutzschenreuter et al., 2012; Karaevli and Zajac, 2013) and research on organization concentrates on how new CEOs adjust the organization's internal structures and processes (Denis et al., 2000; Gabarro, 1985; Miller, 1993). The theoretical approaches underlying these studies range from the "upper echelons" theory (Boeker, 1997; Wiersema, 1992) to managerial cognition (Bigley and Wiersema, 2002; Ndofor et al., 2009), organizational evolution (Miller, 1993; Romanelli and Tushman, 1994), socialization (Denis et al., 2000; Fondas and Wiersema, 1997; Gabarro, 1979), and agency theory (Berger and Ofek, 1999; Davidson et al., 2004; Weisbach, 1995). This diversity has made it difficult for scholars to build on each other's work, hampering progress in this important field of research. Against this background, a comprehensive review of the available research seems both necessary and timely.

As the development of the post-succession process (i.e. the creation or maintenance of a match between the CEO, the organization and the environment) depends very much on the specific activities of the CEO, it seems appropriate to review the existing literature in terms of what it says about these activities. After all, Miller (1993) emphasized that researchers interested in the post-succession process need to understand "what new leaders do" (Miller, 1993: 656). In that respect, the practice perspective (Feldman and Orlikowski, 2011) offers some particularly fruitful conceptual distinctions that can be employed to structure the review of the existing literature. Taking a practice perspective we can analyze the post-succession process in terms of the interaction between its (1) practices, (2) practitioners and (3) practical contexts. While the term "practice" is used slightly differently in different practice theories, it essentially denotes a socially shared, recurrent pattern of activities (Feldman and Orlikowski, 2011; Reckwitz, 2002; Whittington, 2006). It is such patterns of activities that make up the "internal life of process" (Brown and Duguid, 2000: 95)—in our particular case, the internal life of the post-succession process. The term "practitioner", in turn, refers to the particular actors involved in specific practices. Depending on their characteristics different practitioners might enact different practices or enact them differently. Finally, the term "practical context" describes the contextual factors in which the practitioners and their respective practices are embedded.

Adopting the conceptual vocabulary of the practice perspective, we will review the existing literature on post-succession in terms of what we know about (1) the practices (What practices are employed by new CEOs and other actors that are directly involved in the post-succession process?), (2) the practitioner (How do the particular properties of new CEOs and other directly involved actors affect how they enact post-succession practices?), and (3) the practical context (How does the practical context affect the way in which new CEOs and other involved actors enact post-succession practices?). On this basis, we will take stock of research on how new CEOs manage the relationship between themselves, the organization, and the environment and will outline directions for future research.

## 2.2 Methodology

### 2.2.1 Identifying the Literature

The scope of our literature search encompassed all scientific works that deal with the early stage of a new CEO's tenure. We identified the relevant literature in three steps: first, using the Boolean search engine of the SSCI (Social Science Citation Index) database, we searched within the subject areas of "management," "business," and "business finance" for the following terms in the title, abstract, or keywords of each publication: "CEO succession," "CEO turnover," "new CEO," "newly appointed CEO" "new manager," "executive succession," "new executive," "executive turnover," and "executive migration." This initial search yielded 543 papers on CEO succession in general, published between 1960 and 2013. The second step, then, involved identifying within this large set the subsample of studies that dealt specifically with the topic of post-succession. Having read the abstract of each paper, and the introduction or even full text wherever necessary, we identified 54 empirical and theoretical studies as relevant. The majority of papers in our initial sample were excluded either because they did not address the post-succession process or because they were concerned with the particularities of the post-succession process in family businesses, which should be treated as a distinct research topic in its own right (Cabrera-Suarez, 2005; Le Breton-Miller et al., 2004). In the third step, we examined the references of all studies in our refined sample and identified three additional studies. To capture also the most recent studies, we searched for online versions of forthcoming papers on our topics in journals in management, business, and business finance. For pragmatic reasons, we limited the search for forthcoming papers to the top 50 journals (ranked by their 5-year impact factor) in these areas. This search led to the inclusion of two additional studies. Overall, we identified 59 studies as relevant to this review. Among the 59 studies, 29 (49%) had been published after, 2000, indicating a growing interest in the post-succession process.

### 2.2.2 Structuring the Literature Analysis

Employing central concepts from the practice perspective (Feldman and Orlikowski, 2011; Nicolini, 2012; Schatzki et al., 2001; Whittington, 2006), we reviewed the studies in terms of (1) what practices were adopted and (2) how the properties of the involved actors and (3) the practical context influenced the adoption of these practices. Table 3 summarizes the selected studies on the basis of these three themes. Analyzing closely this literature, we were able to identify two types of practices in terms of their *telos* (Nicolini, 2012); that is, in terms of the purpose for which they are employed: *integration practices* and *realignment practices*. Integration practices concern the social integration of the new CEO and are geared towards creating a match between the new CEO and the organization, which is crucial for effective leadership (Denis et al., 2000). In contrast, realignment practices are concerned with the realignment between the organization and its changing environment. Thus, the purpose of integration practices is to create a fit at the *group* level, between the CEO and different groups of individuals, while the purpose of realignment practices is to create a fit at the *organizational* level, between the organization and its environment.

## 2.3 Integration of the New CEO

Various scholars have emphasized that a key challenge for new CEOs is their integration into the role structures, social norms, and interpersonal relationships of the organization (Denis et al., 2000; Gabarro, 1979). In this section, we review studies that examine the various practices whose purpose is to create a match between the new CEO and the organization and the effect of the new CEO's properties and of the practical context on creating this match.

### 2.3.1 Practices of Integration

The recurrent patterns of activities that a new CEO undertakes in order to gain acceptance and support from organizational members and external stakeholders are described as "practices of integration." In the literature we identified four types of integration practices.

*Practices of Building Networks with Top Managers*. Building networks with top managers is a critical step in a new CEO's effort to establish effective leadership (Gabarro, 1979). Two practices have been found to achieve this purpose: *personnel replacement* and *relationship building*. Helmich and Brown (1972) and Kelly (1980) found that one of the first actions of many new CEOs is to replace some top managers in order to establish a TMT that they can rely on. This enables the CEO to create complementarity among TMT members in terms of personality, interpersonal relations, and skills (Hayes et al., 2006). Hayes et al. (2006) found that new CEOs tend to replace particularly TMT members who have a close relationship with the former CEO. They also found that these replacements were not associated with subsequent strategic changes, which suggests that the CEO's primary

**Table 3: An overview of studies on the CEO post-succession process**

| Studies | Main Insights |
|---|---|
| **Integration practices** | |
| ***Building networks with TMT members*** | |
| Farrell and Whidbee, 2000 | New CEOs replace some outside directors with individuals who are less likely to challenge their decisions. |
| Gabarro, 1979 | To be successful, new CEOs need to build effective working relationships with key subordinates. |
| Grusky, 1969 | An ally can facilitate the new leader's transition and relationship building with subordinates. |
| Hayes et al., 2006 | New CEOs replace some TMT members to create work complementarity. |
| Kelly, 1980 | In the first 6 months, new CEOs focus on establishing authority and building a TMT with old and new members. |
| Xuan, 2009 | Internally promoted CEOs tend to allocate more resources to powerful unaffiliated divisions to seduce support. |
| ***Adjusting performance to expectations*** | |
| Bens, 2002 | New CEOs often use earnings management to enhance the company's short-term performance after succession. |
| Harrison and Fiet, 1999 | To secure their positions, new CEOs tend to cut long-term investment in order to drive short-term profits. |
| Krieger and Ang, 2013 | Under higher pressure to improve performance, new CEOs are more likely to manipulate earnings. |
| Lasalle et al., 1993 | No evidence was found that new CEOs engage in earnings management. |
| Pourciau, 1993 | New CEOs often deflate earnings in the year of transition and inflate earnings in the following year. |
| ***Shaping shared expectations*** | |
| Denis et al., 2000 | There are two modes of how a new CEO shapes mutual expectations: affirmative and cooperative modes. |
| Gabarro, 1979 | Developing mutual expectations is key to forming effective working relationships with subordinates. |
| ***Projecting a positive external image*** | |
| Fanelli and Grasselli, 2006 | The construction of charisma involves projecting publicly the new CEO's persona and vision. |
| Fanelli et al., 2009 | The charismatic visions projected by new CEOs are associated with favorable stock recommendations. |
| ***Sequences of integration practices*** | |
| Denis et al., 2000 | Shaping shared expectations involves using the practices of learning, persuasion, and power consolidation. |
| Gabarro, 1979 | New CEOs go through four stages to shape mutual expectations and develop relations with key subordinates. |

**Table 3 (Continued)**

| Studies | Main Insights |
|---|---|
| **Realignment practices** | |
| ***Initiating changes to product strategies and market strategies*** | |
| Berger and Ofek, 1999 | New CEOs are likely to divest poorly performing assets that were acquired by the former leadership. |
| Boeker, 1997 | New externally recruited CEOs are associated with entry into new product markets. |
| Denis and Denis, 1995 | In cases of poor pre-succession performance, new CEOs are likely to downsize business operations. |
| Gordon et al., 2000 | New CEOs are likely to introduce fast changes to product strategies, market strategies, and organizational structures. |
| Hambrick and Fukutomi, 1991 | At the beginning of their tenure, CEOs respond to the board’s mandate to realign the organization to its environment. |
| Lant et al., 1992 | New CEOs often realign strategies and organizational structures to the changing environment. |
| Romanelli and Tushman, 1994 | Newly appointed CEOs are likely to transform strategies and key organizational structures within a short period. |
| Virany et al., 1992 | New CEOs can have a positive impact on firm performance only when they can initiate strategic reorientation. |
| Weisbach, 1995 | New CEOs are likely to sell unsuccessful acquisitions acquired during their predecessor’s term. |
| Westphal and Fredrickson, 2001 | New CEOs change product strategies and market strategies in response to the board’s mandates. |
| Wischnevsk, 20Y08 | New CEOs often introduce radical changes to strategy but refrain from structural changes. |
| ***Adjusting the organizational structure and process*** | |
| Carlson, 1961 | Outsiders are likely to establish new rules and expand their administrative office. |
| Gordon et al., 2000 | New CEOs are likely to introduce fast changes to product strategies, market strategies, and organizational structures. |
| Lant et al., 1992 | New CEOs often realign strategies and organizational structures to the changing environment. |
| Miller, 1993 | In all cases, new CEOs tend to decentralize power and to use more sources of information in decision-making. |
| Romanelli and Tushman, 1994 | Newly appointed CEOs are likely to transform strategies and key organizational structures within a short period. |
| Simons, 1994 | New CEOs use four types of formal control systems to introduce and implement new strategies. |
| ***Reconfiguring the TMT according to environmental demands*** | |
| Barron et al., 2011 | Changing the TMT enables new CEOs to achieve necessary changes in order to realign the organization to its environment. |

**Table 3 (Continued)**

| Studies | Main Insights |
|---|---|
| Helmich and Brown, 1972 | New CEOs can change the TMT to bring in new perspectives and skills that are necessary to direct an organization. |
| Keck, 1993 | New CEOs are likely to reconfigure the TMT to create heterogeneity among the members and enable the company to meet environmental demands. |
| Lin and Liu, 2011 | Post-succession changes in the TMT enable the new CEOs to change the strategy for entering international markets. |
| Shen and Cannella, 2002 | Changing TMT members after succession increases the new CEOs' impact on strategies and thus on performance. |
| Tushman and Rosenkopf, 1996 | When making TMT changes, new CEOs are more likely than not to initiate discontinuous organization change. |
| ***Reconstituting external relationships*** | |
| Westphal et al., 2006 | New CEOs reconstitute their predecessors' friendships with the leaders of important business partners. |
| ***Sequences of realignment practices*** | |
| Gabarro, 1985 | A five-stage model of how new CEOs take charge, with three waves of initiating organizational changes. |
| Greiner and Bhambri, 1989 | A six-stage model of how a new CEO successfully changes the strategy of an organization. |
| **The influence of the new CEO's properties on post-succession practices** | |
| ***Successor origin*** | |
| Barron et al., 2011 | Outsiders who change the TMT and insiders who are contenders are more likely to change the product strategy than successors of different origin. |
| Bigley and Wiersema, 2002 | "Heirs apparent" (insiders) are less likely than their peers to refocus the firm's business portfolio. |
| Carlson, 1961 | Outsiders are more likely than insiders to establish new rules and expand their administrative office (school case study). |
| Friedman and Saul, 1991 | External successors are more likely to make changes to the TMT than internal successors. |
| Helmich and Brown, 1972 | Compared to insiders, outsiders are more likely to change the members and positions of the TMT. |
| Kesner and Dalton, 1994 | Compared to internal successors, external successors are more likely to change the TMT members. |
| Ndofor et al., 2009 | A new leader from a different cognitive community is more likely to initiate changes than a leader from the same cognitive community. |

**Table 3 (Continued)**

| Studies | Main Insights |
|---|---|
| Shimizu and Hitt, 2005 | Outsiders are more likely than insiders to make changes to product strategies and market strategies. |
| Weng and Lin, 2012 | Previous top-job experience inside the firm decreases the tendency of new CEOs to engage in realignment. |
| Wiersema, 1992 | Externally recruited CEOs are more likely than insiders to make changes to the firm's business lines. |
| Zhang, 2008 | Insiders and outsiders may change different aspects of strategy and organizational structure. |
| ***Successor power*** | |
| Bigley and Wiersema, 2002 | The greater the power of new CEOs, the greater their latitude in adjusting the operational business lines. |
| Davidson et al., 2004 | Powerful CEOs are more likely than their peers to engage in earnings management to secure their positions. |
| Quigley and Hambrick, 2012 | Retaining the predecessor as chairman restricts the new CEO in realigning the organization to its environment. |
| ***Experience and demographic factors*** | |
| Boeker, 1997 | New CEOs from outside are likely to lead the organization to enter new product markets of which they have previous experience. |
| Datta et al., 2003 | The demographics (tenure, age, education) of new CEOs affect whether they keep or change existing strategies. |
| Fondas and Wiersema, 1997 | A theoretical model of how socialization backgrounds influence the new CEOs' intentions to realign the company and their ability to achieve that. |
| Kraatz and Moore, 2002 | In their new organization, new CEOs tend to adopt strategic programs they adopted in their previous organization. |
| **The influence of practical contexts on post-succession practices** | |
| ***Succession contexts*** | |
| Barker and Mone, 1998 | In cases of poor pre-succession performance, new CEOs tend to centralize control systems and change market strategies and product strategies. |
| Davidson et al., 2004 | New CEOs are more likely to engage in earnings management to secure their position when performance is poor than when it is good. |
| Denis and Denis, 1995 | Poor pre-succession performance leads new CEOs to downsize and exit existing product lines or markets. |

**Table 3 (Continued)**

| Studies | Main Insights |
|---|---|
| Farrell and Whidbee, 2000 | When the former CEO has been dismissed, new CEOs are more likely to replace the outside directors than in other cases. |
| Goodstein and Boeker, 1991 | A change of ownership and of directors during succession enables the new CEO to initiate changes in order to realign the organization. |
| Graffin et al., 2013 | Because of the high uncertainty in the post-succession process, the board uses heuristics and draws on various succession contexts to evaluate the new CEO. |
| Karaevli, 2007 | Poor pre-succession performance restricts the ability of new CEOs to make changes in order to align the organization to its environment. |
| Karaevli and Zajac, 2013 | Corporate stability allows outsiders to achieve a higher degree of realignment. |
| Kenser and Dalton, 1994 | In cases of poor pre-succession performance, new CEOs are more likely to change the TMT than in other cases. |
| Pourciau, 1993 | In cases of non-routine succession, new CEOs are more likely to manipulate earnings than in cases of routine succession. |
| Wiersema, 1995 | In cases of non-routine succession new CEOs are more likely to divest poorly performing businesses than in cases of routine succession. |
| ***Organizational contexts*** | |
| Boeker, 1997 | Long TMT tenure and large TMT size constrain the efforts of new CEOs to lead the firm to enter new product markets. |
| Denis et al., 2000 | In an organization with highly differentiated social groups, new CEOs may use different practices to integrate with each group. |
| Fondas and Wiersema, 1997 | The characteristics of the TMT and its expectations of the new CEO can influence a new CEO's intention to make changes aimed at realignment. |
| Lin and Liu, 2012 | Organizational slack gives new CEOs more discretion to change the company's strategy for entering international markets. |

**Table 3 (Continued)**

| Studies | Main Insights |
|---|---|
| Krieger and Ang, 2013 | The higher the pressure of meeting expectations about company performance, the more likely that the new CEO will manipulate earnings. |
| ***Environmental contexts*** | |
| Datta et al., 2003 | New CEOs find it easier to apply realignment practices in industries characterized by high differentiation, high growth, and low capital intensity. |
| Karaveli, 2007 | The turbulence and munificence of the environment amplify outsider CEOs' impact on strategy and thus organizational performance. |
| Lin and Liu, 2011 | A munificent or complex industry environment enables new CEOs to introduce changes to the market strategy. |
| Nakauchi and Wiersema, 2014 | In Japan, new CEOs make greater changes to strategies in cases of non-routine succession than of routine succession. |
| Sakano and Lewin, 1999 | In Japanese firms, in the early two years new CEOs do not make changes in strategies or organizational structures. |

intention was to become integrated into the TMT, rather than to initiate strategic change. Such changes allow new CEOs to bring in their own allies, who can help them gain support in the company and to adapt more easily by facilitating the flow of information across different levels (Grusky, 1969). This tendency has been often described in the business press. In BlackBerry, for example, when John Chen took the CEO position in November 2013, he immediately recruited some key top managers he used to work with at Sybase (CBC, 2014). New CEOs may occasionally replace even some board members for similar reasons: as Farrell and Whidbee (2000: 607) suggest, new CEOs typically "seek to replace those directors that force CEO turnover with directors that are less likely to challenge [their] decisions."

Although the replacement of top managers can be an effective way of creating a fit between the CEO and the organization, it may not always be feasible, especially when these managers are powerful and hold valuable firm-specific knowledge. Kelly (1980) found that new CEOs tend to build a team with an equal number of new and old executives. In such cases, gaining support from the existing members is essential: as Xuan (2009) has argued, new CEOs may use capital allocation as a means of building relationships with powerful managers. His study showed that in multi-segment firms new CEOs promoted from within often shift resource allocation to the divisions with which they were not previously affiliated; this indicates that new CEOs "use the capital budget as a bridge-building tool to elicit cooperation from powerful divisional managers" (Xuan, 2009: 4919).

*Practices of Adjusting Performance to Expectations.* New CEOs typically experience pressure to improve the firm's performance, particularly when this has been declining (Barker and Mone, 1998; Kesner and Dalton, 1994; Krieger and Ang, 2013). Thus, it is crucial for new CEOs to meet the expectations of the board of directors in order to gain legitimacy and to secure their position (Hambrick and Fukutomi, 1991). Past studies have found that new CEOs—possibly because it often takes a long time to build a successful record—try to enhance the impression of their performance in the short term in order to gain acceptance and to secure their positions. They achieve this either through earnings management (Bens, 2002; Davidson et al., 2004; Krieger and Ang, 2013) or by cutting long-term investments (Harrison and Fiet, 1999). Pourciau (1993) found that new CEOs often deflate earnings in the year of succession and inflate earnings in the following year, instead of trying to enhance the firm performance as soon as they become appointed. This allows the new CEO to attribute the firm's bad performance to the former leadership and take the credit for improvements in performance. In sum, these studies suggest that CEOs have some discretion in adjusting financial measures and sometimes use it to establish a record of success early on. An exception within this line of research is an early study by Lasalle et al. (1993), who did not find evidence that new CEOs manipulated earnings, although they did tend to adjust financial measures.

*Practices of Shaping Shared Expectations.* Some scholars have argued that, in order to be able to work together, the new leader and other organizational members have to align their expectations and understandings of how things work in the organization (Denis et al., 2000; Gabarro, 1979). Gabarro (1979) found that new CEOs spend a lot of time on working with key subordinates to develop joint expectations about each party's role and the way in which they can work together effectively. The practices to achieve this purpose include discovering each party's initial expectations, exploring each party's expectations and concerns in detail, and testing whether the expectations each party has of the other converge. Gabarro's findings (1979) highlight how important it is that both the new CEO and the subordinates become aware of and adjust to each other's expectations in order to achieve some form of stability within the organization. In a related case study, Denis et al. (2000) found that while the new CEO perceived his own role as an innovator who would challenge the status quo, the organization expected him to promote the existing strategy. To eliminate the divergence, the new CEO adopted various practices of learning, persuasion, and power consolidation, which led to the convergence of the two parties' expectations. More generally, Denis et al. (2000) identified two different modes in which new CEOs and organizational members develop their shared expectations: a cooperative mode, whereby the leader adapts to the expectations of organizational members, and an affirmative mode, whereby the leader modifies the expectations of organizational members.

*Practices of Projecting a Positive External Image.* Creating a positive impression, also among external stakeholders, appears to be important to new CEOs. Analyzing the letters that new CEOs sent to shareholders and the interviews they gave to the media, Fanelli and Grasselli (2006) found that using categories and labels, as well as prototypical and emotional language, helps CEOs project charisma and thereby be positively perceived by investors. In a later study, Fanelli et al. (2009) showed that CEOs construct charisma by assessing the current situation of the organization as intolerable, articulating ideological goals, and emphasizing the role of collective efficacy in achieving these goals. These two studies by Fanelli et al. suggest that new CEOs use discourse to build a positive image that may help them gain acceptance from external stakeholders.

*Temporal Sequencing of Integration Practices*. In addition to identifying different integration practices researchers have also investigated their temporal sequencing. As Denis et al. (2000: 1064) remarked, "the respect and esteem of organization members," which is a precondition for effective leadership, "is rarely acquired instantaneously, but evolves over time." New CEOs, as Kelley (1980) found, establish their acceptance and informal authority in the course of a six-month "honeymoon," and turn their attention to strategy afterwards. Two studies have examined how various sub-practices that are subsumed under integration practices and whose purpose is to shape shared expectations are adopted over time. In the first of these, Gabarro (1979) studied four new CEOs in order to identify patterns in the process through which they formed mutual expectations and built working relationships with subordinates over a three-year period. He found that a stable CEO–subordinate relationship tends to develop in four stages: (1) orientation: the CEO and the subordinate form an impression of each other, (2) exploration: they find out each other's expectations in detail, (3) testing: they test each other against their own expectations about roles, trust, and influence, and (4) stabilization: if there is mutual acceptance, the relationship is likely to become stable.

While Gabarro (1979) concentrated on the expectations that a CEO and an individual subordinate have of each other, Denis et al. (2000) focused on how a new CEO develops shared expectations with different divisions within the organization. Denis et al. (2000) suggested that CEO integration involves three sub-practices, which new CEOs may use sequentially or in parallel: (1) *learning* by observing and listening, or through trial-and-error, (2) *persuasion*, which describes the new CEO's effort to influence the expectations of others by aligning his or her own interests with those of others or by selling his or her initial proposals and negotiating back, and (3) *power consolidation*, i.e., performing expected roles or changing the formal role structures. These two studies by Gabarro (1979) and Denis et al. (2000) provide important insights into the complicated dynamics of CEO integration over time.

*Critical Assessment of the Existing Studies*. The studies reviewed above contribute to the overall understanding of how new CEOs create a fit between themselves and their organization by actively managing their relations to different social groups: top managers, the board of directors, different departments, and even external stakeholders. However, there are some obvious gaps in the literature, as our review makes clear: First, the relation between the identified integration practices has yet to be explored. Although our review shows the importance of different groups of stakeholders, it is not clear how new CEOs prioritize their integration activities with these groups over time. Obviously, CEOs cannot attend to all groups with the same intensity and at the same time. Moreover, little is known about how the integration of the CEO with one social group influences his or her integration with other groups. Second, there are indications that there are integration practices that have not been studied yet. For example, considering that new CEOs use particular discursive practices to influence external stakeholders, they are likely to use comparable practices to influence also the internal stakeholders (Fanelli *et al.*, 2009).

### 2.3.2 Influences of Key Properties of New CEOs on Integration

Various studies have examined how certain key properties, such as the "origin" of new CEOs (i.e., whether they are recruited internally or externally) and the sources of their power, influence the integration process and the creation of a fit between the new CEO and the organization.

*The Successor's Origin and its Influence on Integration.* Whether the new CEO is selected from a pool of external or internal candidates has been identified as an important factor that influences the process of integration (Friedman and Saul, 1991; Helmich and Brown, 1972). Internal successors typically possess organization-specific knowledge and have already established personal relationships with other members of the organization (Cao et al., 2006; Helmich and Brown, 1972). In contrast, external successors typically need to acquire this kind of knowledge and develop these relationships. Helmich and Brown (1972), for example, have shown that external successors are more likely to change the "executive role constellation" either by replacing certain TMT members or by expanding the number of TMT positions. Similarly, Friedman and Saul (1991) found that external successors are associated with a relatively high turnover of TMT members.

*The New CEO's Power and Its Influence on Integration*. Davidson *et al.* (2004) argued that having more power allows a new CEO to achieve credibility more effectively by controlling the earnings ratio. Their study compared how new CEOs who also chair the board manage earnings compared to their peers. Their findings show that powerful CEOs who also chair the board are more likely to use earnings management as a means of securing their positions. This study suggests that the power that new CEOs hold offers them more latitude in the process of achieving integration with their organization.

*Critical Assessment of the Existing Studies*. Our review indicates that the origin and the power of new CEOs affect considerably their choice of integration practices. Both properties influence the knowledge that new CEOs acquire, the personal relationships they build, and the degree of latitude they have in managing their relationship to the organization.

However, most existing studies focus exclusively on CEOs and do not consider how the properties of other stakeholders affect the practices that mediate the new CEO's integration. For example, it is unclear how differently new and existing TMT members may behave and how this difference might influence the integration of the new CEO. Moreover, existing studies do not distinguish between stable and dynamic properties of new CEOs. Some properties, such as power, could change as a consequence of previous integration practices. For example, the practices of building networks with top managers might increase the CEO's power, which then influence their discretion of manipulating earnings to fulfill the board's expectations on improving performance. The reciprocal influence between relative power and integration practices is a striking gap in the post-succession literature.

### 2.3.3 The Influence of the Practical Context on Integration

Extant studies have identified various contextual factors that influence the ways in which CEOs employ integration practices. These factors are associated either with the succession context or the context of the organization in general.

*The Context of Succession and Its Influence on Integration.* One dominant factor in the context of succession is whether a new CEO is appointed unexpectedly or as a matter of routine. Farrell and Whidbee (2000) found that in cases of CEO dismissal, the new CEO was more likely to replace the outside directors than when the new appointment was made as a matter of course. One possible reason for this is that the new CEO considers the outside directors who dismissed the former CEO more likely to challenge his or her decision-making; by replacing these directors with people less likely to challenge their decisions, new CEOs may find it easier to work with the board (Farrell and Whidbee, 2000). With respect to how new CEOs use earnings management to meet expectations about performance, Pourciau (1993) found that in cases of non-routine succession, new CEOs are more likely to manage earnings in order to meet the expectation of improved performance than in cases of routine succession. The author argued that since non-routine succession is typically unplanned and followed by disruption in the organization's operation, it provides new CEOs with considerable opportunities for earnings management (Pourciau, 1993). In a related study, Davidson *et al.* (2004) argued that when pre-succession performance is poor, the expectation that the new CEO will improve the firm's performance is higher. Indeed, the authors found that in cases of poor pre-succession performance, new CEOs were more likely to employ earnings management as a means of enhancing short-term performance.

*The Organizational Context and Its Influence on Integration.* Several studies examined how the organizational context influences the integration practices that new CEOs choose to apply. Krieger and Ang (2013) found that when the expectations of improving organizational performance and the pressure to achieve that performance are high, new CEOs are more likely to engage in earnings management in order to meet these expectations. Denis *et al.* (2000) explored the integration of a CEO at a hospital, a complex organization that comprises two distinct social groups: administrative staff and clinical staff. The authors found that the new CEO adopted different integration practices in relation to each group: to integrate with clinical staff, the CEO used collaborative practices; while to integrate with administrative staff, he used affirmative practices (Denis *et al.*, 2000). Independently of the particular hospital setting, this study suggests that the existence of distinct social groups in an organization has an impact on the integration process of a new CEO.

*Critical Assessment of the Existing Studies*. The reviewed studies have shown that contextual factors related to the succession process as such and to general organizational aspects can both facilitate and constrain attempts at creating a fit between the new CEO and the organization. While we already know a lot about the role of the practical context, our systematic review also reveals some gaps in this research. First, different studies have identified opposing effects of the same contextual factors. For example, while Pourciau (1993) showed that non-routine succession, because of the uncertainty it involves, allowed new CEOs to manage earnings in order to meet performance expectations, Bens (2002) showed that it limits the scope for managing earnings, as the board is likely to monitor the new CEO more closely. This contradiction points to the fact that we lack a proper understanding of how different practical contexts come to bear on the post-succession process. Second, most works so far focused on the impact of the local context, neglecting the effects of the broader industry context and the cultural environment. Given that the practices involved in the process of integration are largely socially embedded, these broader contexts are very likely to have a strong impact on how new CEOs fulfill the expectations of various stakeholders. So far we have little understanding of the extent to which such wider contexts influence what particular integration practices are adopted by new CEOs and how they are enacted.

## 2.4 Realignment of Organization and Environment

Our review reveals that the post-succession process involves not only the creation of a fit between the new CEO and the organization, but also the establishment or maintenance of a fit between the organization and its environment. New CEOs typically adopt a range of different practices aimed at realigning the organization with its environment. In the following, we discuss the practices of realignment identified in the literature and how the properties of new CEOs and of the practical context affect the adoption of these practices.

### 2.4.1 Practices of Realignment

When a new CEO takes over, the ensuing realignment of the organization may either spring from the new CEO’s initiative or follow a mandate issued by the board (Westphal and Fredrickson, 2001). Several studies have examined the “practices of realignment”, which refers to the recurrent patterns of activities that new CEOs undertake to realign the different aspects of the organization with the environment. We discuss below different types of realignment practices identified in the literature.

*Practices of Initiating Changes to Product Strategies and Market Strategies*. Several studies have shown that in order to realign the organization to its environment, a new CEO is likely to initiate changes that relate to its products or to the markets in which it operates. These changes may involve entering new markets (Boeker, 1997; Wischnevsk, 20Y08), exiting business lines or markets (Barron *et al.*, 2011; Denis and Denis, 1995), changing the business or product portfolio (Goodstein, 1991; Westphal and Fredrickson, 2001; Wiersema, 1992, 1995), and adjusting resource allocation among different departments (Datta *et al.*, 2003; Weng and Lin, 2012). For instance, within three months after taking office as CEO of Alcatel-Lucent in 2013, Michel Combes announced a plan to focus on networking products and high-speed broadbrand, which would transform the firm from a telecoms generalist to a specialist (Abboud, 2013). Other studies have also found that new CEOs tend to refocus the company strategy by divesting poorly performing assets and businesses that had been acquired by the former leadership (Berger and Ofek, 1999; Bigley and Wiersema, 2002; Weisbach, 1995). Some researchers note that the appointment of a new CEO often leads to strategic reorientation—namely, to simultaneous changes in all the major aspects of an organization (Gordon *et al.*, 2000; Lant *et al.*, 1992; Romanelli and Tushman, 1994; Virany *et al.*, 1992), including changes to the product strategy and the market strategy, as well as to organizational structures and processes (see next section). All these studies suggest that, because new CEOs are more open to external scanning and less committed to existing strategies than their predecessors, they often redefine various dimensions of the organization's strategy.

*Practices of Adjusting Organizational Structures and Processes.* There is evidence that new CEOs often also adjust internal structures and processes, occasionally combining these changes with those of product and market strategies (Gordon *et al.*, 2000; Lant *et al.*, 1992; Romanelli and Tushman, 1994; Virany *et al.*, 1992). The intention behind making changes to an organization's internal structure and processes may be to improve immediately the firm's efficiency (Gabarro, 1985) or to facilitate changes in product or market strategies later on. For example, when Benard Fontana took office in 2012 as the CEO of Holcim, a global leading supplier of cement and aggregates, he immediately announced a program called "Holcim Leadership Journey," whose target was to optimize the internal operational structures and processes in order to improve profitability within the existing strategy (Holcim, 2012).

In an early study, Carlson (1961: 226) found that new school principals (particularly if recruited externally) were likely to develop new rules and policies and to "prepare the organization for new ways of functioning by expanding administrative staff." Miller (1993) found that new CEOs often changed the major dimensions of structure and process in their organization. His results suggest that new CEOs tend to decentralize power in the control system and diversify the sources of information they use in their decision-making. Both practices may help new CEOs gain new perspectives and encourage new initiatives that promote change in response to environmental demands (Miller, 1993). Similarly, Simons (1994) emphasized that adjusting formal control systems was crucial to a new CEO's efforts to initiate and implement a new strategic agenda. He found that new CEOs use managerial control systems to "formalize beliefs, set boundaries on acceptable strategic behavior, define and measure critical performance variables, and motivate debate and discussion about strategic uncertainties" (Simons, 1994: 169).

*Practices of Reconfiguring the TMT in Line with Environmental Demands.* Our review shows that another important realignment practice to reconfigure the TMT according to environmental demands (Helmich and Brown, 1972). Helmich and Brown (1972) argued that by replacing existing executives, new CEOs could introduce new perspectives and competences that are necessary to direct an organization. Keck (1993) found that new CEOs are likely to reconfigure the TMT in a way that creates heterogeneity, which helps organizations meet environmental demands. In addition, several studies have shown that new

CEOs are more likely than longer-serving CEOs to introduce changes in general in order to realign the organization with its environment (Barron *et al.*, 2011; Kesner and Dalton, 1994; Lin and Liu, 2011; Tushman and Rosenkopf, 1996). A good example of a new CEO who reconfigured the TMT to enable the company to meet environmental demands is Meg Whitman, CEO of Hewlett-Packard. Within two years after taking office, she replaced the executives who headed Printing and Personal Systems and Enterprise Group. As she said in a conference call, "my job is to get the right people in the right job, at the right time, with the right experience and domain expertise. [...] I have got to match the right executive to the challenge at the time" (cited in Burt, 2013: 1). However, as we noted earlier, replacing executives is also an important integration practice that can help the new CEO gain acceptance and political support. This indicates potential links between the integration and realignment practices.

*Practices of Reconstituting External Relationships*. External relationships are an important means by which organizations gain support and acquire resources. Westphal *et al.* (2006) found that new CEOs tended to befriend the CEOs of key business partners and financial institutions in order to secure access to critical resources; this often involved reconstituting the personal ties of the outgoing CEO. In highly competitive environments new CEOs may establish friendly relationships with the CEOs of competitors, while in firms that depend strongly on external capital they may befriend the CEOs of financial institutions. Overall, the study by Westphal *et al.* (2006) suggests that new CEOs need to maintain or establish strategic external relationships in order to realign the organization with its environment.

*Temporal Sequencing of Realignment Practices*. Although most studies focus on individual realignment practices, some have examined temporal sequencing of these practices (Gabarro, 1985; Greiner and Bhambri, 1989). In an early study, Gabarro (1985) described how successful leaders adjust organizational structures and processes at the beginning of their tenure. He presented a five-stage model of the post-succession process, which is characterized by three waves of change: (1) taking hold (orientational learning accompanied by corrective changes), (2) immersion (reflective and finer-grained learning accompanied by small changes), (3) reshaping (major changes), (4) consolidation (of earlier changes), and (5) refinement (incremental changes accompanied by some additional learning). In his model, learning and change alternate sequentially. Learning ranges from becoming informed about the organization's current situation to diagnosing how to improve its performance, while the scope of change ranges from correcting certain aspects of the organization to profound changes that reshape the organization. Gabarro (1985) showed that new CEOs make changes mainly in stages (1), (3), and (4).

In another study, Greiner and Bhambri (1989) focused on sequential changes in strategy. The authors proposed a six-stage model delineating how a new CEO achieves a deliberate change of strategy, which they based on their study of a successful case of strategic change in the post-succession process. The model consisted in (1) taking over from the predecessor, (2) solving short-term problems, (3) building commitment to strategic change, (4) realigning the organization's structure with strategy and key people, (5) empowering middle managers, (6) installing incentive systems. This model suggests that at each different stage, the new CEO needs to focus on specific issues.

*Critical Assessment of the Existing Studies*. As our review shows, extant research has identified many practices that new CEOs tend to adopt in order to realign the organization with its environment. These practices concern various aspects of the relation between the organization and its environment. Although the practices of realignment have been studied extensively, there are certain gaps that impede our understanding of the realignment process. First, some of these practices have only been studied on a very general level, rather than in detail. Thus, currently little is known about the specific activities employed in enacting these practices. As to reconfiguring the TMT for example, it is not clear how new CEOs identify the environmental demands and how they evaluate the TMT's existing members and how they select new members to meet these demands. Second, very little attention has been paid to the linkages between various realignment practices. For example, we know little about the extent to which particular practices might facilitate or hinder the adoption of other practices or how the changes that a new CEO makes to the product strategies and market strategies of the organization interrelate with the reconfiguration of the TMT and the reconstitution of external relationships. Third, the interrelation between realignment practices and integration practices has yet to be explored. Our review shows that the existing studies typically focus on either integration practices or realignment practices, but rarely on both. As we will elaborate in the last part of this paper, how these two types of practices interrelate is a particularly promising avenue for future research.

### 2.4.2 Influences of Key Properties of New CEOs on the Realignment between Organization and Environment

Various studies have shown that whether and how new CEOs adopt particular realignment practices depends on their socialization background and the power they hold (Fondas and

Wiersema, 1997; Bigley and Wiersema, 2002). Researchers have already sought to identify indicators that reflect the cognitive schemes that new CEOs use, the knowledge and skills they possess, and their commitment to the status quo, all of which influence significantly how they view the relationship between their organization and the environment and their capability of making necessary changes (Fondas and Wiersema, 1997; Hutzschenreuter *et al.*, 2012).

*The Origin of CEOs and Its Influence on Realignment.* The origin of CEOs has been recognized as a key indicator of how new CEOs view the relationship between their organization and the environment. In contrast to internally promoted CEOs, new CEOs recruited from outside tend to bring in a cognitive perspective that is different from the dominant perspective within the organization and to have a low commitment to the status quo. Several studies have found that, compared to "insiders," "outsiders" are more likely to adjust the organization to the demands that its environment poses. To that end, new CEOs employ various practices, such as redefining the product strategy and the market strategy (Shimizu and Hitt, 2005; Wiersema, 1992), reconfiguring the TMT (Helmich and Brown, 1972; Kesner and Dalton, 1994), and adjusting the internal structure and processes of the organization (Gabarro, 1985; Miller, 1993; Simons, 1994).

More recent studies tend to distinguish between different types of insiders and of outsiders. Bigley and Wiersema (2002), for example, argued that the distinction between an "heir apparent" and other insiders is important. The typical "heir apparent" will have been involved in formulating the current strategy together with the former CEO and is thus likely to be committed to the status quo. Moreover, as the authors found, in cases where the "heir apparent" was eventually appointed CEO, he or she was more likely than other types of candidates not to change the company's products and markets. Similarly, Weng and Lin (2012) found that the experience that new CEOs have previously gained as members of the company's TMT or board is negatively associated with changes in resource allocation. In two other studies, Shen and Cannella (2002), and subsequently Barron *et al.* (2011), categorized insiders into "contenders" and "followers"; the former are those who succeed a dismissed CEO, while the latter are those who succeed a retired CEO. Both studies demonstrated that the perspective of contenders differs from that of their predecessors. Supporting this argument, Barron *et al.* (2011) found that contenders are more likely than followers to lead the firm to exit a business line.

Other studies distinguish between different categories of outsiders on the basis of the degree to which the new CEO is unfamiliar with the nature of the new organization. Karaevli

(2007) and Karaevli and Zajac (2013) argued that the degree to which a new CEO is considered an "outsider" depends on his or her experiences in other firms and industries: the greater the "distance" between the type of company to which the new CEO has been appointed and his or her previous company, the greater the probability that the new CEO will introduce new perspectives and skills. Similarly, Ndofor *et al.* (2009) found that when the cognitive community that new leaders represent is different from that of their predecessors, newcomers tend to introduce more drastic changes to the organizational structure than leaders who are part of their predecessors' cognitive community. These results suggest that it is necessary to differentiate more precisely new CEOs according to their origin in order to gain insight into how a new CEO intends to adjust the relationship between the organization and its environment. Tellingly, Zhang and Rajagopalan (2010) found that the changes initiated by outsiders have a greater (positive or negative) impact on organizational performance than those initiated by insiders. Their study also indicates that insiders and outsiders tend to concentrate on different aspects of organizational realignment, a finding that needs to be investigated in greater depth by future research as we will argue below.

*How the New CEO's Experience and Demographic Background Influence Realignment.* There is evidence that new CEOs tend to draw on previous experience when they realign the organization with its environment (Boeker, 1997; Kraatz and Moore, 2002). In particular, Boeker (1997) found that CEOs recruited from outside tend to lead the company into the product markets in which their former organization also operated, while Kraatz and Moore (2002) found that they are likely to implement strategic programs similar to those they applied in their former organization. Moreover, Boeker (1997) found that new CEOs with experience of R&D and engineering are more likely to adjust the product strategies, indicating the impact of the CEO's functional background. In another study, Ndofor *et al.* (2009) examined whether the new CEOs' realignment practices are influenced by the extent to which they were successful in their previous jobs. Surprisingly, they found that the new leader's prior experience of "top-job" success and the magnitude of the changes that he or she makes to the current organization's structures are negatively related. On the basis of their findings, the authors suggested that experienced new leaders with a successful track record may employ fewer but more effective practices of organizational adjustment.

Some scholars also use demographic variables to assess how a new CEO will realign the organization to its environment. Fondas and Wiersema (1997), for example, argued that demographic variables indicate the socialization background of new CEOs; to the extent that this background shapes the values and skills of new CEOs, it can influence the direction and magnitude of the changes they pursue in the process of organizational realignment. Similarly, Datta *et al.* (2003) identified a set of demographic variables—tenure, education, and age—as indicators of a new CEO's "openness to change." They found that shorter tenure, higher education, and younger age were negatively associated with maintaining existing strategies.

*The Influence of CEO Power on Realignment.* The extent of power that a new CEO has over other key stakeholders also appears to be important for their actions. Bigley and Wiersema (2002) found that the more power a new CEO holds, the more latitude he or she has in adjusting the company's product lines. The presence of the new CEO's predecessor on the board, who may constrain the newcomer's plans to make necessary changes, indicates that the latter's power may be limited. Nakauchi and Wiersema (2014) and Quigley and Hambrick (2012) found that retaining the previous CEO as chairman significantly reduces the likelihood that the new CEO will be able to make changes to the company's product strategies and market strategies.

*Critical Assessment of the Existing Studies*. The studies reviewed above show that differences in the origin, experience, and background of new CEOs, as well as their relative power over others, shape their views of the relationship between their organization and its environment and affect the extent to which they can and do engage in particular realignment practices. However, three gaps are noted. First, to date no study has examined how the specific realignment practices that new CEOs employ affect their properties reciprocally. For example, after having engaged in certain realignment practices (such as reconstituting external strategic relationships), the new CEO might change his or her initial perspective and develop new views on the organization-environment relationship, which is likely to affect their subsequent realignment activities. Second, we know little about how different types of board members and other top managers affect the realignment process and how they get involved in the realignment practices. Third, we know very little about the way in which new CEOs' functional background affects their realignment practices. As indicated by Boeker (1997), different functional backgrounds are likely to direct a new CEO's attention to different aspects of the organization affecting what realignment practices will be employed.

### 2.4.3 The Influence of the Practical Context on Realignment Practices

Extant research has identified several contextual factors that influence critically the choice of realignment practices. These factors are related to the succession context, the organizational context, and the environmental context.

*The Succession Context and Its Influence on Realignment*. Change of ownership and changes in the board at the time of CEO succession were found to enable the realignment of the organization with its environment (Goodstein and Boeker, 1991). This is because the old shareholders and board members may block the new CEO's realignment initiatives. Some studies suggest that in organizations whose performance has been declining there is an urgency to realign strategy and organizational structure once a new CEO takes over (e.g., Barker and Mone, 1998). More specifically, in cases of poor pre-succession performance, new CEOs are more likely to replace the TMT members (Kenser and Dalton, 1994), centralize organizational control (Barker and Mone, 1998), downsize the company's operation and assets (Denis and Denis, 1995), and reorientate the company strategy (Barker and Mone, 1998).

However, two more recent studies have argued that poor pre-succession performance can actually constrain the new CEOs' realignment initiative because of limited financial resources (Karaevli, 2007; Karaevli and Zajac, 2013). More specifically, Karaevli (2007) and Karaevli and Zajac (2013) found that in companies that performed poorly before succession, it was harder for new CEOs to introduce successfully changes aimed at realigning the company than in companies that performed well. The inconsistent results suggest that poor pre-succession performance may have conflicting effects on the actions of new CEOs. This may be because poor performance generates high expectations and the urgency to adapt the organization to its environment (Barker and Mone, 1998; Denis and Denis, 1995; Kenser and Dalton, 1994), but at the same time limits the resources that are necessary for making changes (Karaevli, 2007; Karaevli and Zajac, 2013).

*The Influence of the Organizational Context on Realignment.* Drawing on "upper echelons" theory, some scholars have argued that certain properties of the TMT can influence the likelihood of new CEOs making changes to product strategies and market strategies (Fondas and Wiersema, 1997). In addition, Boeker (1997) found evidence that long TMT tenure and large TMT size limit the new CEO's influence and thus reduce the likelihood of the company entering new product markets. Another factor, organizational slack, was found to influence the association between the presence of a new CEO and changes in the firm's scale of operation in international markets: Lin and Liu (2012) suggested that when a firm has limited resources, the new CEO may find it hard to reorientate the firm's strategy, given that the implementation of a new strategy often requires substantial financial resources.

*The Influence of the Environmental Context on Realignment.* Several studies have highlighted the influence of various environmental factors on how new CEOs apply realignment practices. Datta *et al.* (2003) found that in industries with high differentiation, high growth, and low capital intensity new CEOs find it easier to make changes to the product strategies and market strategies. The authors argued that these characteristics increase the managerial discretion of CEOs and offer them greater latitude in their strategic choices (Hambrick and Finkelstein, 1987). Similarly, Karaevli (2007) found that the turbulence and munificence of the environment allows the new CEO to have more impact on their organizational strategy and performance.

The national context may also influence the post-succession process. Sakano and Lewin (1999), who analyzed a sample of Japanese firms, found that new CEOs make no changes to their company's product strategies and market strategies or to the organizational structure within the first two years following their appointment—a finding that contrasts with those of studies based on US samples (e.g. Boeker, 1997; Simons, 1994). The authors argued that this difference might be due to the fact that Japanese CEOs face less pressure from stock markets and block-holding membership than their counterparts in the US. However, a recent study by Nakauchi and Wiersema (2014) showed that in Japanese firms, especially in cases of non-routine succession, new CEOs also tend to make changes to existing strategies.

*Critical Assessment of the Existing Studies*. Extant studies have shown that different succession contexts, organizational contexts, and environmental contexts create different opportunities and constraints that have an impact on how new CEOs select which realignment practices to apply. However, there are also some obvious shortcomings in the literature. First, similarly to studies on the impact of the context on integration, there are also some conflicting findings regarding the impact of the context on realignment practices. In particular, some studies found that poor pre-succession performance provides new CEOs with opportunities for major changes (Barker and Mone, 1998; Denis and Denis, 1995; Kenser and Dalton, 1994), whereas other studies associated it with a lack of financial resources that actually limits the scope for major changes (Karaevli, 2007; Karaevli and Zajac, 2013). Again, we lack a detailed understanding of the particular mechanisms through which particular contexts affect the post-succession process, in order to be able to explain why the same practical context can have conflicting effects. In addition to that, the existing studies do not distinguish between different forms of poor performance that might have different effects. For example, financial distress (e.g., Barker and Mone, 1998) and low return on assets (e.g., Denis and Denis, 1995; Kenser and Dalton, 1994) might put different restrictions on new CEOs' actions. Second, few studies have examined how the post-succession process unfolds in different national and cultural contexts. Considering that countries differ in their governance structures and cultural norms (Nakauchi and Wiersema, 2014), it is very likely that new CEOs in different countries choose different realignment practices or apply differently the same realignment practices.

## 2.5 An Agenda for Future Research

Taken together, existing studies on the CEO post-succession process provide a host of insights on the core question of how the fit between the CEO, the organization and the environment is created in the process that follows the appointment of a new CEO. Our analysis suggests that this process is complex and involves various integration and realignment practices. We have outlined what is already known about the post-succession process but also indicated several gaps in the literature. In this section, we summarize the gaps and apply a practice perspective to develop promising avenues for future research.

### 2.5.1 Research Opportunities Regarding Practices

As we have shown above, most studies on the post-succession process concentrate on individual practices, rather than on how different practices interrelate. However, practice theorists have emphasized that practices are always embedded in a web of other practices that influence each other mutually (Nicolini, 2012). This suggests that each practice acts as a context for other practices, which in turn suggests that practices are likely to be co-constructed and to co-evolve.

The primary reason behind the lack of knowledge about how different practices interrelate is that few studies examine the new CEOs' concrete activities in detail. Since most existing studies are deductive, they fail to capture the complexities of the post-succession process, which often involves situating a particular practice or combining different practices in a particular context. We identify three main linkages that can be further explored in order to shed light on the complexity of the post-succession process: linkages between integration practices and realignment practices, linkages between different integration practices, and linkages between different realignment practices.

*The Relation between Integration Practices and Realignment Practices*. Taking a more comprehensive view of the post-succession process, future research should explore the co-evolutionary patterns of integration and realignment. In the existing literature three such patterns can be discerned. The first pattern indicates that new CEOs may apply integration practices first and realignment practices subsequently; that is, they may choose to integrate themselves into the organization before initiating changes to realign the organization with its environment. As already mentioned, Kelly (1980) suggested that there is a six-month "honeymoon" during which new CEOs develop interpersonal networks and reconfigure the TMT, before dealing with crucial strategic issues, which supports the idea of sequentiality. By contrast, the second pattern suggests that the two types of practices may be applied simultaneously, rather than sequentially: because new CEOs are often under pressure to turn a situation around promptly, they may be forced to realign the organization in response to environmental demands immediately after taking office (Greiner and Bhambri, 1989). Obviously, in this case there can be no "honeymoon" period. The third pattern suggests that in some cases the new CEO may combine specific practices of both types. In these cases, the new CEO may use realignment practices to secure the acceptance of internal and external stakeholders—for example, by allocating more resources to the divisions of powerful managers in order to gain their support, as Xuan (2009) has shown—and at the same time build networks with top managers to facilitate organizational changes (Gabarro, 1985).

The three patterns may reflect the dynamics underlying the relationship between these two types of practices. One could argue that in the stressful post-succession period, a new CEO may only be able to deal with a limited number of issues at the same time. Thus, during that period either integration or realignment may monopolize the CEO's attention. This suggests that in order to understand why certain patterns emerge in the post-succession process it is critical to study how new CEOs divide their attention over time. Another dynamic that deserves further investigation is the possibility that the two types of practices may both facilitate and hinder each other. For example, building good relations with key subordinates can help the new CEO change strategic elements in the organization, precisely because these subordinates may show greater loyalty and support than the rest. However, good relations may also constrain the realignment process, because the new CEO may try to protect these relations by refraining from making changes that those key subordinates might oppose or resent.

*Practices of Integrating with Multiple Social Groups*. As a social system, an organization is constituted by multiple social groups with often conflicting interests (Denis *et al.*, 2007). As our review and critical assessment of the literature has shown, exiting studies suggest that new CEOs use various practices to integrate with different social groups internally and externally. However, little is known about how the CEO prioritizes these groups over time and how their efforts to integrate with one group might influence his or her integration with other groups.

Overall, our review reveals that there is a need to study systematically the integration of new CEOs into four distinct groups: the TMT, the board of directors, the group of middle managers, and the group of external stakeholders. Considering that the new CEO's actions at different levels are likely to have a mutual impact, a multi-level approach seems necessary in order to capture the full complexity of the integration process. The study by Denis *et al.* (2000), which showed how new CEOs bypassed top managers to gain information and support directly from middle managers, is an interesting example of such an approach. The practice that the authors describe may indeed help a new CEO to limit the influence of uncooperative top managers and build personal authority, but it may also create resentment among the shunned top managers. To capture the dynamics of the new CEO's integration with different social groups, future research needs to look at how different practices of integration may impede or facilitate each other.

*Patterns of Realigning Different Organizational Dimensions*. Several studies have examined how new CEOs may realign different aspects of the organization with its environment, including the product strategy, the market strategy, the organization's structure and control systems, the TMT configuration, and the organization's external networks. Very few studies, however, have examined how different realignment practices interrelate. For example, a number of studies have shown that reconfiguring the TMT can enable new CEOs to introduce changes to the product strategies and market strategies (Barron *et al.*, 2011; Kesner and Dalton, 1994; Tushman and Rosenkopf, 1996). This indicates that certain practices may trigger or facilitate the application of another practice.

However, different practices of realignment may also conflict. For example, Barker and Moon (1998) found that in declining firms new CEOs tend to shift the organizational structure and control system towards mechanical structures and to reorientate strategy. However, such shifts in the organizational structure were shown to hinder the reorientation of strategy because mechanical structures impeded both the use of multiple information sources and scanning the environment sufficiently for developing new strategic directions (Barker and Moon, 1998). This suggests that future studies should examine how new CEOs adjust one aspect of the organization in conjunction with other aspects, which aspects they combine, and how contextual factors and process dynamics influence the process of adjustment.

### 2.5.2 Research Opportunities Regarding Practitioners

Our review shows that researchers have differentiated between several different types of incoming CEOs (Bigley and Wiersema, 2002; Karaevli and Zajac, 2013; Ndofor *et al.*, 2009;

Shen and Cannella, 2002). Recent studies also tend to draw attention to the new CEOs' personal characteristics, experience, and power to explain why they choose and apply different practices (Boeker, 1997; Datta *et al.*, 2003; Kraatz and Moore, 2002; Weng and Lin, 2012). Although previous studies have refined the distinct types of new CEOs, their view is mostly static in that they consider new CEOs to be embedded in their past experience and socialization. Furthermore, few studies examine the role of practitioners other than the CEO in the post-succession process.

*Towards a More Dynamic View of New CEOs.* While existing studies treat the characteristics of new CEOs—such as the degree of their power—as static, practice theorists have shown that characteristics of practitioners often change as a result of their engagement in practices (Jarzabkowski *et al.*, 2007). For example, there is evidence that the identity of strategists tends to change when they engage in processes of strategic transformation (Beech and Johnson, 2005; Johnson *et al.*, 2010). This suggests that when new CEOs become embedded in a new context, some of their characteristics may change as a result of the integration practices and realignment practices that they apply. Generally, the post-succession process is a period of intense learning for new CEOs, who strive to master the organization (Gabarro, 1985): they develop their own paradigms, acquire organization-specific knowledge, and accumulate legitimacy and power (Denis *et al.*, 2000; Hambrick and Fukutomi, 1991).

Studying new CEOs from a dynamic perspective opens up two pathways for future research: first, future research could examine how the post-succession process affects new CEOs—for example, how it shapes their identity, reputation, power, authority, and chances of remaining in their position. Second, prospective studies could examine the recursive relation between the personal development of the new CEO and the progress of the post-succession process, exploring, for example, how a new CEO's organization-specific knowledge, power, and legitimacy are developed through and influence the adoption of post-succession practices (Hambrick and Fukutomi, 1991).

*The Active Role of Stakeholders in Shaping the Post-succession Process*. As argued above, research so far has primarily focused on the person of the new CEO (see also Hutzschenreuter *et al.*, 2012), largely neglecting other relevant practitioners. This is surprising since the existing studies also point to the existence of multiple stakeholders involved in the post-succession process. Also from practice theory more generally, we know that practitioners mostly do not act in isolation but interact with others (Jarzabkowski *et al.*, 2007; Nicolini, 2012). Hence, future research should acknowledge the role of these other practitioners in shaping the post-succession process. For example, a recent study by Graffin *et al.* (2013) investigated how members of the board of directors draw on contextual heuristics to evaluate the new CEOs' performance. This study found that, because of the uncertainty associated with CEO succession, it is difficult for the board of directors to evaluate a new CEO on the basis of financial performance and its members often draw on various heuristics to judge the new CEO's ability. Moreover, although some studies examined how external stakeholders, such as the media and financial analysts (Fanelli and Grasselli, 2006; Fanelli *et al.*, 2009), react to new CEOs and their actions, little is known about how new CEOs respond to external reactions and how this affects the post-succession process. In addition, other important stakeholders and their impact on new CEOs' actions have yet to be examined. For example, debtholders might have different concerns than the board of directors and financial analysts, and thus influence new CEOs in different ways. Acknowledging the active role of multiple stakeholders in the post-succession process, future studies should investigate the practices that various stakeholders use to actively cope with or influence the incoming CEO, how various stakeholders influence the integration of the new CEO and the process of realignment, and how different stakeholders influence each other in the post-succession process.

### 2.5.3 Research Opportunities Regarding Practical Contexts

Recent research has shown that a particular context can enable or constrain the new CEOs' efforts to integrate themselves into or to realign the organization. A close examination of the literature reveals two areas that deserve more attention.

*Conflicting Effects of Practical Contexts*. As highlighted in the critical assessment of the literature studies so far have not been able to explain why the same practical contexts can have opposing effects such as when poor pre-succession organizational performance in some cases facilitate and in other cases impedes change; or why non-routine succession in one case facilitates earnings management and in other ones impedes it.

To understand better why the same contexts can have opposing effects future research might want to dig deeper into the micro mechanisms through which practical contexts come to affect the post-succession process. In particular, researchers so far have largely treated the practical context as objectively given and as directly impacting the succession process. Yet, one might argue that contexts and their effects are only enacted through the (combination of) practices employed. In addition to that future research should compare the different ways in which new CEOs use a particular practice. Simon's study (1994) is a good example in that respect; he compared how new CEOs adjust organizational control systems differently when the pre-succession performance is good and when it is poor.

*The Influence of National and Cultural Contexts*. Our review shows that little attention has been paid to the ways in which different national contexts influence the dynamics of the post-succession process (Nakauchi and Wiersema, 2014). This is surprising as we know particularly from practice theory that social practices are shaped by larger societal institutions and cultural norms in which they are embedded (Suddaby *et al.*, 2013). For example, as mentioned earlier, Sakano and Lewin (1999: 667) found that "strategic reorientation or organization restructurings […] are not observable in the first two years of the new CEO. This is in contrast to the United States where such changes are generally observed in the first year of a new CEO." This finding suggests that researchers need to take national differences into account to fully understand the post-succession process. The GLOBE (Global Leadership and Organizational Behavior Effectiveness) study in 62 societies shows that the effectiveness of leadership behavior is culturally contextualized to a high degree (House *et al.*, 2004). Other studies also show that there are significant differences in how various general management practices are applied in different countries (Bloom and Van Reenen, 2010). This suggests that in different cultural contexts new CEOs may employ various integration practices and realignment practices in different ways.

Given that the international mobility of CEOs is increasing, researchers should explore more extensively how different national and cultural contexts affect what new CEOs are expected to do, are able to do, and cannot do during the post-succession process. At least three aspects of the cultural and national context may influence the post-succession process. First, "time-orientation" (Hofstede, 1997) could help explain the timing of post-succession practices and the order in which they are employed in different cultures. For example, East Asian societies are characterized by "long-term orientation," which implies that new CEOs may delay the realignment of the organization, whereas North America and Europe are characterized by "short-term orientation" (Hofstede, 1997). Second, "collectivism-individualism" (Hofstede, 1997), i.e., the extent to which a society is characterized by collectivist or individualist principles, may also provide a good starting point for discussing how the national culture influences the new CEOs' activities: in a collectivist culture, such as that of Japan, the new CEO may experience greater pressure to become integrated into the organization; by contrast, in an individualist culture, such as that of the US, the new CEO may feel pressured to instigate immediate bold changes within the organization in order to demonstrate personal competence. Third, in addition to cultural values, national institutions that determine ownership structure, governance arrangements, and approaches to incentives may affect the new CEO's scope of action (Bloom and Van Reenen, 2010; Crossland and Hambrick, 2007) and be indicative of how new CEOs behave in different parts of the world. Identifying the main activities of new CEOs and the best practices for facilitating succession in each country or culture are essential tasks for future research.

### 2.5.4 Methodological Opportunities for Studying the Post-succession Process

Our review of the literature reveals that, to date, researchers have used a host of different methodologies in order to examine the post-succession process. These include correlation studies (e.g., Davidson *et al.*, 2004; Romanelli and Tushman, 1994), longitudinal in-depth case studies (e.g., Denis *et al.*, 2000; Simons, 1994), and simulation approaches (Grusky, 1969). While all methodological approaches have certain strengths, there is a need for more longitudinal in-depth case studies, especially studies based on organizational ethnographies (e.g., Gioia and Chittipeddi, 1991). This approach seems particularly suitable for addressing the research gaps listed here, because it can identify the activities of new CEOs and capture how these interrelate over time and at multiple levels of analysis. Moreover, due to explorative nature, this approach could identify other important post-succession practices in addition to what we have found in the current literature.

Obtaining detailed data from field studies would allow scholars to identify more easily the patterns of integration and realignment, as well as how the practices associated with these two processes interact. Furthermore, such studies could help researchers refine key variables (e.g., successor origin) and devise useful constructs for examining the post-succession process (Pitcher *et al.*, 2000). In addition, field studies could bring to light other important but so far unidentified post-succession practices.

### 2.5.5 Conceptual Resources for Theorizing the Post-succession Process

As already suggested above, practice theory provides a particularly fruitful lens for studying the post-succession process because it is able to take into account the micro-level activities of new CEOs. This is also stressed by Orlikowski when she writes: "A practice perspective, because it entails a theoretically grounded understanding of recursive interaction among people, activities, artifacts, and contexts, is particularly well positioned to address organizational phenomena that are posited to be relational, dynamic and emergent" (Orlikowski, 2010: 26–27). In this review we have already introduced three basic concepts from practice theory: practices, practitioner, and practical context. Future research could build on this basic conceptual framework, drawing on the host of theoretical concepts that the many variants of practice theory (Schatzki *et al.*, 2001) hold in stock. This is likely to result in a more sophisticated theorization of the post-succession process that is able to account for its complex and dynamic nature. While a comprehensive review of practice theory is unfeasible at this point and given the scope of our study (for an overview see Nicolini, 2012), we want to introduce three theoretical concepts taken from practice theory extending the three basic concepts employed in this review so far, in order to illustrate their potential for future theorizing.

First, the concept of *sociomaterial practices* takes our basic concept of "practices" a step further by highlighting the "constitutive entanglement of the social and the material" (Orlikowski, 2007: 1435) in the performance of all practices. Adopting this concept will sensitize researchers to the subtle ways in which materiality—ranging from the physical setup of offices to communication technologies and management tools—shapes the activities of new CEOs. As our review shows, the material aspect of post-succession practices has not been taken into account in existing research and is thus open to exploration.

Second, the concept of *habitus*, first developed by Bourdieu (1977), can add a new dimension to the way in which researchers conceptualize the new CEO's traits, their development, and the role they play in his or her activities. The concept of habitus refers to the dispositions that practitioners acquire through earlier activities and experiences. These can influence the practices practitioners adopt, which in turn shape their future dispositions. Thus, the concept of habitus can sensitize researchers to the recursive relationship between practitioner and practical context. This might prove particularly fruitful for theorizing both stability and change in the traits of CEOs during the post-succession process, which we highlighted earlier as a potential topic for further research.

Finally, the concept of *social field* provides a more sophisticated conceptualization of the practical context in which the post-succession process takes place. This concept describes the practical context as a dynamic constellation of social positions characterized by struggles for domination and regulated by specific sets of rules, beliefs, and values (Bourdieu, 1977). Because the concept of the social field integrates the different aspects of the practical context, it can alert researchers to the importance of examining the relative social position of new CEOs with respect to power. Examining the CEOs' relative social position should enable future studies to take into account all stakeholder groups, as well as determine what practices are available to each group and how particular practices affect each group's relative position.

## 2.6 Contributions and Conclusion

With this review of research on the CEO post-succession process we have contributed to the literature in two ways: first, mobilizing conceptual categories of the practice perspective we have provided a comprehensive overview of the fragmented literature in terms of what we know about the ways in which the match between CEO, organization and environment is created in the post-succession process. We thereby also revealed manifest and latent linkages between previously unconnected lines of inquiry. This will make it easier for researchers to build on the existing works and thus create a cumulative body of knowledge. Second, we have developed a research agenda on the CEO post-succession process, providing some guidelines for future studies in terms of topics, methodologies, and theories. We believe that these will help in generating a richer, broader, and deeper understanding of this complex and dynamic process.

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# 3 New CEOs and Their Immediate Collaborators: Divergence and Convergence Between the Strategic Apparatus and the Top Management Team[2]

Shenghui Ma and David Seidl

## Abstract

An important challenge of new CEOs is to establish an effective group of collaborators, which we call the "strategic apparatus". Drawing on a comparative case study we show that the composition of the strategic apparatus initially tends to differ from that of the top management team (TMT) because of constraints on the CEO to change the TMT. In some cases, the strategic apparatus consists of a subgroup of the TMT, in others of members of the TMT and individuals not on the TMT. We show that these discrepancies between the strategic apparatus and the TMT can lead to tensions that trigger a process of convergence between the two, particularly as constraints on changing the TMT are alleviated and as the functions of the apparatus change.

**Keywords**

Strategic apparatus; Top management team; New CEO; CEO succession; Behavioral integration

[2] This paper has been submitted to the Strategic Management Journal.

## 3.1 Introduction

As a result of its significant impact on organizational life, CEO succession has been the focus of substantial attention in the fields of strategy, organization, and corporate finance (Giambatista, Rowe, and Riaz, 2005; Hutzschenreuter, Kleindienst, and Greger, 2012; Kesner and Sebora, 1994). Whereas early studies have extensively examined the antecedents and outcomes of CEO succession, recent research has turned its attention to what occurs to the organization after a new CEO arrives (Ma, Seidl, and Guérard, forthcoming). This research shows that new CEOs are frequently under pressure to make sense of unfamiliar situations, to make necessary changes, to develop new strategies, to manage turnarounds, and/or to improve financial performance (Denis, Langley, and Pineault, 2000; Greiner and Bhambri, 1989; Harvard Business Review, 2009; Simons, 1994). In addition, new CEOs must establish a group of key collaborators to support them in directing their organizations (Hayes, Oyer, and Schaefer, 2006; Helmich and Brown, 1972; Kelly, 1980; Porter and Nohria, 2010). We refer to this group as the CEO's strategic apparatus to acknowledge their important role in shaping the strategic direction of the firm. In this paper, we focus on this process of establishing the strategic apparatus, which has thus far received only scant attention in management research.

From the perspective of upper echelons theory, the CEO influences strategic and organizational outcomes by collaborating with other members of the top management team (TMT) (Hambrick, 2007; Hambrick and Mason, 1984). In this vein, previous studies emphasize the importance of establishing an effective TMT. Studies suggest that by changing the TMT, new CEOs can build a team to gain support (Grusky, 1969; Hayes *et al.*, 2006; Kelly, 1980) and to bring in new perspectives and competences (Friedman and Saul, 1991; Keck and Tushman, 1993; Tushman and Rosenkopf, 1996). However, some studies suggest that replacing top managers is not always possible, particularly when these managers are powerful and have valuable firm-specific knowledge (Denis *et al.*, 2000; Gabarro, 1979; Xuan, 2009).

Whereas prior research has yielded many important insights in this field, several important gaps remain. First, most studies investigate change in TMT either as an outcome of CEO succession or as a mediator or moderator of other post-succession outcomes (e.g., strategic change). Little attention has been paid to the change process itself: How and when do new CEOs change their TMT? What are the constraints on changing the TMT and how do new CEOs address these constraints? As a result, we know little about the temporal and interpersonal dynamics underlying these changes. Second, previous studies have ignored the challenge of directing an organization with a TMT in transition. Hambrick (1995) notes that new CEOs frequently face a fragmented TMT because of membership changes and interpersonal relationships. In such a case, how can new CEOs direct their organization with a team in transition?

This paper aims to fill these gaps by systematically investigating the drivers, constraints, and dynamics of establishing CEO's strategic apparatus. As forming a team is essentially about defining and adjusting role relationships, we employ role theory to inform this research (Biddle, 1986; Katz and Kahn, 1978). We draw on data from a longitudinal qualitative study of eight firms, each of which had just appointed a new CEO. For each case, we tracked the CEO's activities over his first two years via regular interviews (every 4-8 weeks). We complemented these data with interviews with other organizational members, including top managers and staff members, to capture different perspectives on the post-succession process and to gain a more comprehensive understanding of each case. This process generated a dataset of 130 interviews in total.

Our analysis of the empirical data yielded the following results. First, we identified the requirements for strategic orientation and for personal integration as drivers for the development of the strategic apparatus. Second, we show that due to the structural, relational and personal constraints of TMT change, these requirements frequently cannot be fully met by adjusting the TMT, defined as the formal executive team (Carpenter, Geletkanycz, and Sanders, 2004; Nielsen, 2010). Thus, CEOs are often forced to include individuals outside of the TMT in their strategic apparatus. As a consequence, discrepancies tend to arise between the strategic apparatus and the TMT, particularly in the initial stages. Third, we find that these discrepancies frequently result in increasing interpersonal tension that over time leads to a gradual convergence between the strategic apparatus and the TMT.

With these findings, we contribute to the CEO succession literature by showing how, when, and why new CEOs change their TMT, the constraints they face in so doing, and how they address these constraints in directing the organization. Thereby, our research helps open up the black box between the CEO succession event and its organizational outcomes (Miller, 1993; Pitcher, Chreim, and Kisfalvi, 2000). Furthermore, we contribute to the upper echelons literature by identifying the mechanisms underlying development of the TMT and responds to recent calls for studies of how TMTs are formed and evolve (Hambrick, 2007: 338).

## 3.2 Theoretical Background

### 3.2.1 Research on CEO Succession

TMT change following CEO succession is common. Some scholars find that the first action of many new CEOs is to replace certain top managers in order to establish a TMT that they can rely on (Kelly, 1980). Kelly (1980) found that new CEOs tend to build a team with an equal number of new and old executives. Changing the TMT enables the new CEO to create complementarity among TMT members in terms of personality, interpersonal relations, and skill sets. Hayes *et al.* (2006) found that new CEOs tend to replace those TMT members, in particular, who have a close relationship with the former CEO. Such changes allow new CEOs to bring in their own allies who can help them gain support in the company and to adapt more easily (Grusky, 1969).

In addition to gaining support and creating complementarity in the TMT, replacing executives has been shown to help new CEOs introduce new perspectives and competences that are necessary to lead the organization. Keck and Tushman (1993) found that new CEOs are likely to reconfigure the TMT to create heterogeneity, which helps organizations meet environmental demands. In particular, as external successors frequently have a new perspective on the organization-environment relation, they are more likely to realign the TMT to environmental demands than internal successors. According to Helmich and Brown (1972), external successors are more likely to change the "executive role constellation" either by replacing certain TMT members or by expanding the number of TMT positions. Similarly, Friedman and Saul (1991) found that external CEO successors are associated with a relatively high turnover of TMT members.

Although replacing top managers can be an effective way of creating a team that a new CEO wants, it may not always be feasible, particularly when these managers are powerful and/or are the repositories of valuable firm-specific knowledge. In such cases, new CEOs may have to collaborate with these individuals. As Xuan (2009) has argued, new CEOs use capital allocation as a means of building relationships with powerful managers. Xuan (2009) shows that in multi-segment firms, new CEOs promoted from within frequently shift resource allocations to the divisions with which they have not been previously affiliated, indicating that new CEOs "use the capital budget as a bridge-building tool to elicit cooperation from powerful divisional managers" (Xuan, 2009: 4919). Furthermore, Gabarro (1979) points to the importance of new CEOs establishing collaborative relationships with their subordinates and finds that stable CEO-subordinate relationships tend to develop over four stages: orientation, exploration, testing, and stabilization.

Taken together, previous studies suggest that new CEOs change the TMT for three main reasons: to gain support, to create complementarity, and to introduce new competences. However, these studies fail to capture the temporal and contextual dynamics of TMT change. As a result, we do not know how and when new CEOs change the TMT. These studies suggest that new CEOs may face constraints regarding changing some TMT members and therefore collaborating with these managers is important. However, we do not know what type of constraints new CEOs face and how they address them. It is unclear how they decide whether to replace or collaborate with a member. These gaps exist largely because most studies use quantitative methods that are ill-equipped for exploring temporal and contextual dynamics.

### 3.2.2 Upper Echelons Research

Upper echelons theory is mainly concerned with the way in which the TMT collaborates as a whole and how it affects strategic and organizational outcomes. Conceiving of the organization as a reflection of its top managers, upper echelons theory argues that the experiences, values, and personalities of TMT members will influence how they enact the environment and make strategic choices (Hambrick, 2007; Hambrick and Mason, 1984). Two concepts from upper echelons theory seem particularly relevant to our study: TMT composition and TMT behavioral integration.

A central question of upper echelons research is how the composition of the TMT influences various organizational outcomes. TMT composition is typically investigated in terms of demographics, such as age, tenure or functional background. Demographic characteristics are used as proxies for TMT members' psychosocial attributes as it is difficult to observe these attributes directly. Studies have linked TMT demographic composition to various outcomes, such as strategic choice or change, innovation, and even financial performance (Carpenter *et al.*, 2004; Nielsen, 2010). This research implies that new CEOs should form an assemblage of competences and skills in the TMT that can meet competitive environment demands (Kor and Mesko, 2013). However, little attention has been paid to the temporal dynamics of the TMT composition: How does a CEO establish or change the TMT according to particular temporal requirements? On a related note, there have long been calls for studying the factors that influence TMT composition and its evolution: "Why do top management teams look the way they do? What are the factors that cause the profiles of TMTs to change?" (Hambrick, 2007: 338)

Introduced by Hambrick (1994) as a refinement of upper echelons theory, the concept of TMT behavioral integration refers to the level of mutual communication and interaction among TMT members; it consists of important team processes including information exchange, collaborative behavior, and joint decision-making. TMTs characterized by higher behavioral integration are more likely to collectively influence their organization. By contrast, a TMT with low integration is fragmented and has little "teamness" to it. In this regard, studies have shown that TMT behavioral integration plays an important role in moderating the impact of TMT composition (Carmeli and Halevi, 2009; Carmeli and Schaubroeck, 2006; Lubatkin, Simsek, Ling, and Veiga, 2006). Without sharing information, resources and decisions, it is unlikely that TMT members will influence the organization as a whole. The idea of behavioral integration is thus highly relevant to the current study. As Hambrick (1995) notes, CEO succession is an important trigger of fragmentation in TMT because of changes in personnel and interpersonal relationships. This is also supported by a recent study showing that shorter tenured CEOs are characterized by lower levels of behavioral integration in the TMT (Simsek, Veiga, Lubatkin, and Dino, 2005). This notion raises two important empirical questions: If new CEOs face a fragmented team, how will they direct the organization? How will they adjust the team to achieve higher behavioral integration?

In summary, this brief review of the literature has shown that we know little about the internal dynamics of TMT change despite a number of CEO succession studies that focus on how new CEOs use such TMT change to affect strategic and organizational outcomes. Similarly, although upper echelons researchers emphasize the importance of investigating how the TMT is formed and how temporal dynamics influence TMT processes, little research has been performed in this regard. In summary, what is missing from all these studies is a systematic and in-depth examination of how, when, and why new CEOs form their TMT. To fill this gap, we must investigate within the CEO's network of immediate collaborators: who are these individuals, and why and when are particular individuals included or excluded. Our objectives lead us to focus this study on the following two research questions: *(1) How do new CEOs establish their TMT? (2) How do new CEOs work with a TMT in transition?*

### 3.2.3 A Role Theory Perspective on New CEOs and TMT Formation

Although this study is explorative in nature and aims to build theory inductively, adopting a theoretical perspective can be helpful in offering a conceptual vocabulary for analyzing and theorizing the phenomenon under investigation (Blaikie, 2000; Bowen, 2006; Charmaz, 2003). Thus, we employ role theory for this purpose as a theoretical perspective to inform our study (Biddle, 1986; Katz and Kahn, 1978). Role theory appears particularly suitable for at least two reasons. First, forming a team is essentially about (re)defining roles within the team and the interactive relationships between them. Role theory can sensitize us by directing our attention to how and why new CEOs modify existing or create new TMT positions and how they relate to one another. Second, role theory has previously been used in studies on new CEOs (Denis *et al.*, 2000; Fondas and Wiersema, 1997). Although these studies have not directly focused on TMT formation, they note socialization as a significant aspect of new CEOs' taking charge process. Whereas there are different streams in the role theory literature (Biddle, 1986; Sluss, van Dick, and Thompson, 2011), this is not the place for a comprehensive review; instead, we merely want to introduce some basic concepts of role theory that seem particularly fruitful for discussing how new CEOs form their team.

From a role theory perspective, an organization is a system of interdependent roles (Katz and Kahn, 1978). A role can be defined as "a set of behavioral expectations attached to a position in an organized set of social relationships" (Stryker, 2007: 1083). The role of a CEO is often understood as directing the organization as a whole, an essential part of which is to provide a strategic orientation (Chen and Hambrick, 2012; Finkelstein, Hambrick, and Cannella, 2009; Kor and Mesko, 2013). Moreover, when adopting a new role, an individual typically faces a high level of uncertainty because of an initial lack of understanding of the new role and limited resources in performing it (Ashford and Black, 1996; Ellis *et al.*, 2015; Kahn, Wolfe, Quinn, Snoek, and Rosenthal, 1964). Research on organizational entry emphasizes the importance of newcomers to "learn the ropes" in their new position, a process called organizational socialization. During this process, an individual may be proactive and seek information and feedback, while negotiating changes in the job (Ashford and Black, 1996). Therefore, new CEOs are expected to direct the organization but also must learn the organizational ropes. The demands of taking charge may not only involve orienting the organization but also connecting to and relating to the organization.

The literature typically suggests that a new job occupant assimilates values, attitudes, and expectations through socialization and tries to perform the role as defined previously (i.e., role taking) (Katz and Kahn, 1978). Some scholars extend the idea of role taking to role enactment in the context of managerial jobs (Fondas and Stewart, 1994). Fondas and Stewart (1994) argue that a manager may not only passively take a role as expected by others but also deliberately and actively try to shape the role expectations. This idea resonates with exiting studies of CEOs succession that have shown that new CEOs frequently don't just passively accept the role as expected by others, but modify their role depending on their agenda, preferences, and power (Denis *et al.*, 2000; Fondas and Stewart, 1994). For that purpose, for example, they may deliberately change their surrounding environment by modifying the positions and members around them.

Another concept that is particularly relevant in this regard is role constellation, which can be defined as a group of people "performing certain roles that are interrelated" with one another in certain ways for achieving a particular function (Hodgson, Levinson, and Zaleznik, 1965: 485). Role constellation is used by Hodgson *et al.* (1965) and Denis *et al.* (2000) to describe the collective leadership in a hospital in which power and authority are shared. In a leadership role constellation, "each member plays distinct but harmoniously integrated roles that enable all issues to be covered" (Denis *et al.*, 2000: 1067). The concept of role constellation seems particularly suited to describing the role relationships within TMTs, since a single role has no meaning without considering its relationship to the roles surrounding it. This notion is consistent with upper echelons theory that addresses the TMT as an assemblage of skills and competences necessary for directing the organization. The notion of role constellation also captures the informal role relationships in the TMT, such as the informal responsibilities or expectations attached to different positions. When new CEOs form a team, they must define their own role in relation to others, considering the different functions in the team to achieve their agenda. Thus, new CEOs may not only enact their own role but also enact the role constellation around them (Denis *et al.*, 2000).

Two more concepts are particular relevant for a TMT in transition in which roles must be redefined and renegotiated: role ambiguity and role conflict. Whereas role ambiguity refers to the situation in which expected behaviors are unclear to an individual, role conflict occurs when incompatible expectations are placed upon an individual (Humborstad and Kuvaas, 2013; Jackson and Schuler, 1985; Kahn *et al.*, 1964; Rizzo, House, and Lirtzman, 1970; Tubre and Collins, 2000; Vansell, Brief, and Schuler, 1981). When new CEOs induce changes in the positions and in the members around them, role ambiguity and role conflict is likely to result. A clearly defined role is more likely the result of social interaction than official assignment. New positions or members may experience role ambiguity, as responsibilities may not be clearly defined from the beginning. For example, new CEOs sometimes appoint interim executives but what the interim position entails is frequently unclear (cf. Ballinger and Marcel, 2010). Similarly, role conflict can be common as different members may have different expectations regarding a particular position or member. As the literature suggests, both role ambiguity and role conflict can lead role holders to experience stress and dissatisfaction (Kahn *et al.*, 1964; Rizzo *et al.*, 1970; Tubre and Collins, 2000). Once such situations occur in the TMT, tensions and stress will rise, which can trigger further modifications of role relationships among TMT members (Bedeian and Armenakis, 1981; van de Vliert, 1981). Therefore, role ambiguity and role conflict must be considered in seeking to understand the dynamics of interaction within a TMT in transition.

## 3.3 Methods

This research is explorative in nature and is intended for theory building as opposed to theory testing (Eisenhardt, 1989). A longitudinal multiple-case study is adopted for three reasons. First, in-depth case studies are useful for exploring the key concepts and dynamics of how new CEOs establish their TMT as these notions are not yet well documented in the literature (Eisenhardt, 1989; Patton, 2002; Strauss and Corbin, 1998; Yin, 1994). Second, to understand how the TMT is established or modified over time, a longitudinal approach is required to capture the temporal patterns and to account for the precedence of events (Langley, 1999; Van de ven, 1992). Third, multiple cases yield a replication logic that can generate a rich theoretical framework and simultaneously improve the generalizability of findings (Eisenhardt and Graebner, 2007; Yin, 1994). Finally, this methodological choice responds to the growing calls for longitudinal and qualitative approaches to CEO succession research (Kesner and Sebora, 1994; Ma *et al.*, forthcoming; Pitcher *et al.*, 2000).

Because this research aims to build theory, eight firms were selected by theoretical sampling (Eisenhardt and Graebner, 2007; Yin, 1994). As shown in Table 4, our sampling follows two levels of replication. First, we selected firms with both internal and external successors, with four cases in each category. This design was chosen because studies suggest that successor origin influences how new CEOs change their TMT, given that internal and external successors typically have different perspectives regarding strategic directions and different interpersonal relationships in the organization (Friedman and Saul, 1991; Helmich and Brown, 1972). For example, some studies have shown that external successors are more likely than internal successors to change the TMT (Helmich and Brown, 1972). Therefore, this design lets us compare how insiders and outsiders form their TMT. Second, we selected four firms with a divisional structure and four with a functional structure. This design is intended to capture the potential influence of TMT structural interdependence on how new CEOs change their TMT (Hambrick, Humphrey, and Gupta, 2015). Different TMT structures imply different types of collaborative dynamics among TMT members: within a divisional structure, top managers are more likely to be independent of one another, whereas within a functional structural they tend more to depend on one another (Hambrick *et al.*, 2015). Having cases in both categories can help us understand how structural differences affect the ways in which new CEOs change and work with and within their TMTs. In summary, comparing CEOs within different categories is likely to generate deep insights into the different possibilities of establishing a TMT and therefore to enrich our theorization (Eisenhardt and Graebner, 2007). Furthermore, replicating cases in each category will improve the robustness and generalizability of our findings (Eisenhardt and Graebner, 2007; Yin, 1994). Appendix 1 provides additional characteristics of the eight firms, showing their variations in industry, status as the whole corporate or subsidiary, scope of operation, age, and size. These variations are expected to improve the generalizability of our findings.

**Table 4: Attributes of cases**

| | **Internal successor** | **External successor** |
|---|---|---|
| **Divisional structure** | ComCo<br>ServiCo | ManuCo<br>TraviCo |
| **Functional structure** | TechCo<br>MechCo | SalesCo<br>CleanCo |

### 3.3.1 Data Collection

We approached our eight case companies shortly after their new CEOs took charge, and data collection began mostly within their first six months and all within their first 10 months. In each firm, the most intense period of data collection covers the new CEO's first 24 months, which is followed by collecting public data and informal interviews to track certain further developments. As summarized in table 5, our data include the following sources: 1) interviews with the CEO and other informants, 2) internal and external documents, and 3) informal interviews and office tours. Triangulating sources can enhance the accuracy of the information collected and therefore of the theory developed (Eisenhardt and Graebner, 2007).

**Table 5: Summary of data sources**

| Data Source | Firm | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | ComCo | ServiCo | TechCo | MechCo | ManuCo | TraviCo | SalesCo | CleanCo |
| **Interviews** | | | | | | | | |
| CEO[a] | 9 | 7 | 8 | 6 | 5 | 10 | 8 | 10 |
| Top managers | 2 | 6 | 3 | 5 | 2 | 5 | 3 | 5 |
| Staff/ others[b] | 9 | 1 | 2 | 3 | 10 | 1 | 6 | 4 |
| **In total (130)** | **20** | **14** | **13** | **14** | **17** | **16** | **17** | **19** |
| **Documents** | | | | | | | | |
| Internal | 36 | 3 | 10 | 2 | 11 | 8 | 14 | 2 |
| External | 26 | 12 | 5 | 2 | 76 | 4 | 19 | 3 |
| **Other sources** | | | | | | | | |
| Informal interviews | 11 | 15 | 7 | 5 | 10 | 3 | 9 | 5 |
| Office tours | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |

[a] *The total number of interviews with the same CEO over the data collection period.*
[b] *Staff refer to those who occupy supporting functions, such as project office, strategic office, organizational development, communication, etc. Other interviewees include lower level managers, the former CEO, and members of the board of directors.*

Interviews with the CEO and other organizational members constitute our main source of data. Interviews are particularly useful in terms of identifying how, when, and why a new CEO changes particular members or positions in the TMT. Similarly, interviews can help us discover with whom the CEO works on which issues and how and why they work together on such issues. In the initial interviews, we tried to retrospectively capture the background of the succession and what the new CEO had undertaken thus far (e.g., Denis *et al.*, 2000). Following that, our interviews with the CEO generally took place every 4-8 weeks to ensure that we were closely following the CEO's activities (Van de ven, 1992). Eight interviews were conducted with each CEO on average during the data collection period.

In addition to interviewing the CEO, we also interviewed other organizational members to gain a comprehensive picture of the development in each case and to mitigate any bias that might arise by interviewing the CEO as a single informant (Eisenhardt and Graebner, 2007; Yin, 1994). For this purpose, we selected the other informants by three criteria. First, we tried to include both existing top managers and those who were appointed by the new CEO. Together, they could provide information regarding the top management team dynamics before and after the new CEO had taken office. Second, we interviewed those members who were close and important to the CEO. Some of them were interviewed several times during the study. These persons were identified from interviews with the CEO. As we shall show later, these individuals were sometimes staff members or lower level managers who may not have been part of the TMT. Interviews with these individuals were intended to reveal how and why the CEO worked closely with them. Third, whenever possible and to capture alternative perspectives, we interviewed members who held views critical of the CEO regarding important issues or developments.

Given the explorative nature of this research, semi-structured but open-ended interviews were conducted with a set of main themes about the background of CEO succession, key personnel changes, important decisions, organizational and strategic changes, and development of key events over time (e.g., Denis *et al.*, 2000). Whereas early interviews were broad in scope, latter interviews became increasingly focused on the topic of this study. We paid particular attention to any and each personnel or positional change in the TMT or of other direct reports to the CEO, how the CEO worked with different members, the inclusion and exclusion of certain members during important decisions, and developments of TMT dynamics. Several techniques were used to mitigate informant bias in interviews. First, our interviews followed real-time organizational development and thus minimized recall bias (Leonard-Barton, 1990). Second, as we interviewed the CEOs several times and also interviewed many different members of each firm, we had the opportunity to crosscheck uncertainties. Third, to limit information bias we began each interview by identifying the timeline of actions, issues, and events, which allowed us subsequently to ask questions by following the timeline with the facts identified (Eisenhardt, 1989; Huber, 1985; Miller, Cardinal, and Glick, 1997).

Interviews lasted approximately 60-90 minutes each and were audiotaped, except for one interview with a staff member who only allowed us to take notes. Most interviews were conducted by two interviewers to compare impressions and to avoid blind spots, thus serving as a form of investigator triangulation (Patton, 2002). Within 24 hours following each interview, the interviewers reflected on interesting points and noted what questions should be asked next time. The taped interview was sent to a professional firm for transcription and then was analyzed to guide the follow-up interviews. In total, we conducted 130 interviews[3], which resulted in a transcript of more than 2,100 single-spaced pages.

The second data source includes archival data collected internally from the firm and also externally from public sources. Internal documents included the corporate agenda of main meetings and projects, executive meeting agenda and minutes, the CEO's personal agenda, the CEO's slides of presentations in important meetings, and internal communication

[3] All interviews were conducted in English except for 16 interviews that were conducted in German. For purpose of analysis, a third-party professional translated all the German interviews into English.

related to the CEO. These documents were particularly helpful in establishing an accurate timeline of key changes, decisions, events, and facts after the new CEO took charge. They were also used to triangulate the information obtained in interviews, such as the participants and agenda points in key meetings. External archives include annual reports, industry analyst reports, firm news releases, CEOs' interviews given to the media, and any media news related to the CEO or to the firm during our data collection period. The external documents provided us with additional information and perspectives about particular changes and developments in the organization, which were helpful for prompting questions in the interviews.

In addition to interviews and documents, we also conducted many informal interviews during and after the intense period of data collection. The informal interviews were often short, varying from five to 30 minutes, taking place in corridors, in cars, at social events, or via telephone calls. They were useful to verify the information from formal interviews or to gain more information regarding certain issues. After an intense period of data collection in the new CEO's first two years, we followed most cases by informal interviews to track particular developments. In addition, during data collection, we also took office tours in each firm to understand the atmosphere of the working place, such as the setup of the office rooms and departments.

### 3.3.2 Data Analysis

We adopted an inductive approach to analyzing the data (Strauss and Corbin, 1998). We first composed a rich description of each case by synthesizing the information of the firm from multiple sources (Eisenhardt, 1989). These case descriptions were 25-30 single-spaced pages in length each. Each began with the context of CEO succession and followed a chronological order describing key events, actions, decisions, and developments. It also identified the names of individuals, departments, and other facts that seemed necessary for further analysis. Guided by our research questions, when composing the case description we paid particular attention to 1) each change in the CEO's direct reports both in terms of position or person, 2) the context, rationales, and effects of the change, 3) the manner of collaboration between the CEO and others, such as executive meeting routines, and 4) what persons were involved with respect to each major decision or project initiated by the CEO. Thus, we created an accurate timeline of key personnel change and with whom the CEO worked on which major issues.

Once the case descriptions were created, we began looking for general patterns by means of within- and cross-case analysis (Eisenhardt, 1989). Diagrams were drawn to describe the evolution of the CEO's group of collaborators and to compare them across cases. Several general patterns emerged. First, all the CEOs stressed establishing a team of collaborators as a top priority and most TMTs[4], i.e., most formal executive teams (Carpenter *et al.*, 2004; Nielsen, 2010), underwent significant changes during the first three years. However, we also found in several firms that the CEO emphasized the importance of changing or collaborating with particular positions or members outside the TMT, such as the project office manager. Second, all the new CEOs had a group of immediate collaborators who were 1) constantly involved in strategic issues and 2) were important to the CEOs as described by themselves. More importantly, these immediate collaborators, which we call the strategic apparatus, often included members outside the TMT, which sometimes created tensions between TMT members who were excluded from important decisions and those persons that were included. Third, we found that the group of immediate collaborators and the TMT converged over time, particularly over the second and third years. These discerned patterns led us to engage in open coding during the next data analysis stage.

Instead of relying exclusively on the case descriptions, we coded the original interviews to be able to explain the patterns we observed. NVivo for Mac was employed to code for 1) the reasons for changing a direct report in terms of its position or occupant, 2) the reasons for collaborating with a particular member of the organization, 3) and the reasons for the convergence between the group of immediate collaborators and the TMT. On the basis of the coding, we created an excel sheet of all the coded entries to search for similarities between codes within and across cases. The codes were then grouped into interpretive clusters according to their similarities and differences: where similar, codes were clustered together under a common interpretive umbrella, which formed the first-order categories (Miles and Huberman, 1994). By identifying the links among these categories, we generated second-order themes in which the former could be understood as the dimensions of the latter (Gioia, Price, Hamilton, and Thomas, 2010). For example, one of themes generated from this process included the constraints on TMT change, which includes three categories: relational, structural, and personal. In this process, we followed a replication logic to check all the cases for the occurrence of each theme and category (Eisenhardt and Graebner, 2007). Moreover,

[4] The TMT has been defined and operationalized in many different ways by different authors depending on their respective research purpose and access to data (Carpenter et al., 2004; Hambrick, 2007; Nielsen, 2010). In line with a large number of other studies, we define the TMT as including all individuals that are formally part of the executive team (e.g., Carpenter, Pollock, and Leary, 2003; Kor, 2003). This definition allows us to compare those who are formally expected to collaborate with the CEO to those who actually do.

generating the theoretical categories and themes was also informed by the pervious literature on new CEOs and TMTs and by a role theory perspective.

During the final stage of the analysis, we developed a process model by linking different theoretical themes to explain the patterns we observed, which involved a process of iteration between data and theory to ensure the process model could explain the pattern in each case. We now turn to presenting our findings. We begin by describing our empirically generated process model that will serve as a structure for elaborating our findings.

## 3.4 Findings: Formation and Evolution of the Strategic Apparatus

As discussed in the data analysis, we found that all the CEOs formed a group of immediate collaborators that were involved in multiple strategic issues and decisions in contrast to their peers who were either involved in only a particular strategic issue or in charge of only operational responsibilities. Sometimes this group was referred to as the "inner circle" by the organizational members. For example, the CEO of ComCo said that he had an inner circle to discuss all the important issues: *"Maybe the inner circle of four to five people [...] is usually involved in almost all the thoughts I have."* Moreover, it was important for him to bring his own inner circle to the corporate level when he was promoted to the position of CEO:

> *Now this is a very tough decision [to replace some existing executive and staff members] because these people up there, they are just not part of your family, or they're just not part of your inner circle or whatever, so it sounds a bit unfair. But on the other hand, you need to have a kind of a belt around you, where you are convinced that they perform, they have the right character, integrity, trust. All these issues become very important.*

We propose the term "strategic apparatus" to denote this group of immediate collaborators. This term is appropriate for at least three reasons. First, the term captures the strategic nature of the group that was formed by the CEO to direct the organization. The members of the group shape key decisions and the strategic direction. Second, "apparatus" is appropriate for denoting the complex interrelations between the roles of different group members. By "strategic apparatus", we want to emphasize the role relationships among members as a constellation and not as an aggregate (Hodgson *et al.*, 1965). Third, "apparatus" is useful to indicate its fundamental association with power, as used by some philosophers (Agamben, 2009). Since the members of this group are close to the CEO and constantly involved in important decisions, they are powerful individuals – although some of them may not have an important position on an official organizational chart. Finally, as we discuss in detail below, the constitution of the group is different from the TMT, and it is therefore important to use a term that is not associated with the TMT.

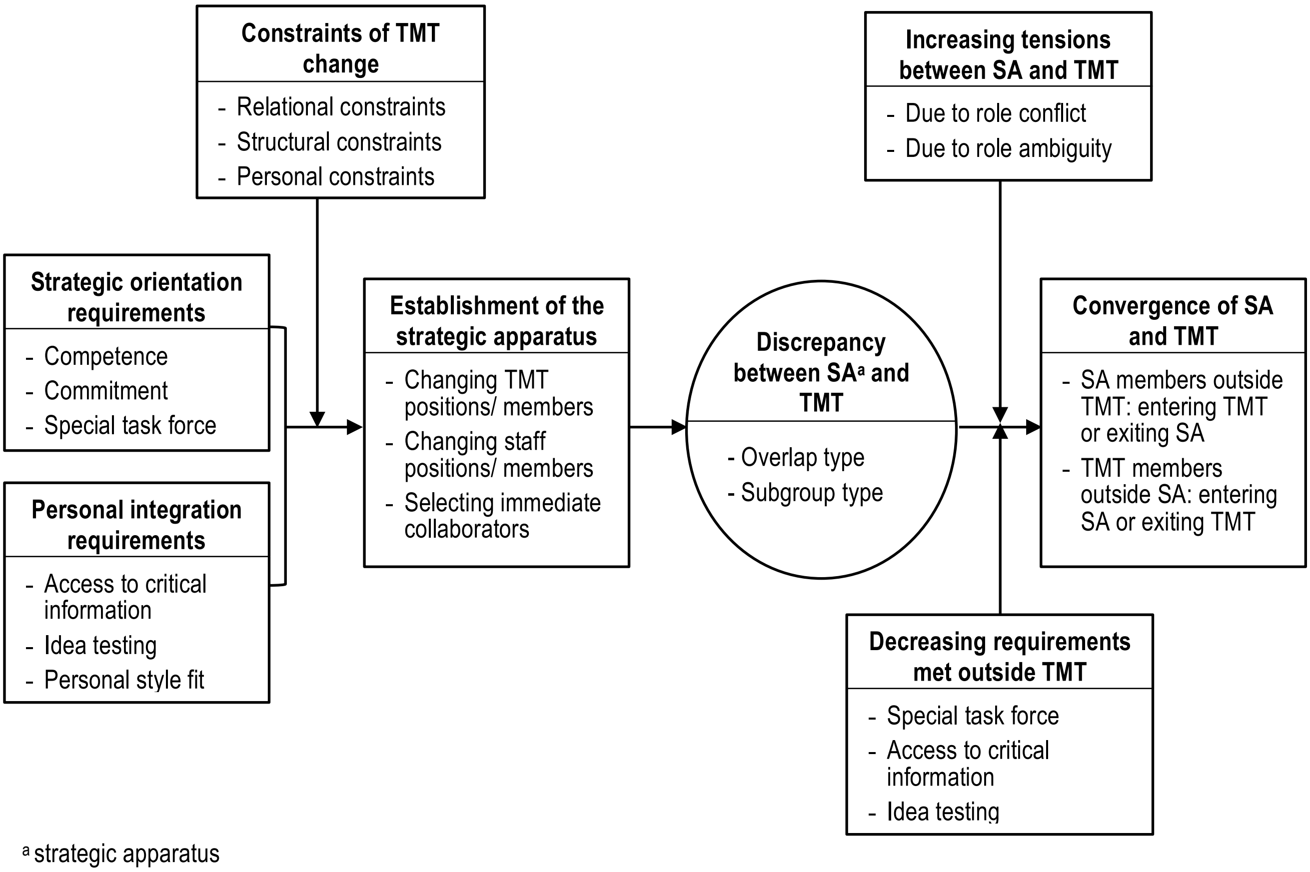


**Figure 1: A process model of establishing and changing the strategic apparatus**

As Figure 1 shows, the theoretical themes and categories generated from our data analysis are linked into a coherent model explaining how new CEOs establish their strategic apparatus as well as how the apparatus evolves over time. We found that two main drivers lead to establishing a strategic apparatus: strategic orientation requirements and personal integration requirements. Although the former involve aligning the team with the CEO's strategic agenda (Helmich and Brown, 1972; Keck and Tushman, 1993), the latter involve the personal integration of the new CEO into the organization (Denis *et al.*, 2000). Whereas new CEOs frequently try to meet these requirements by changing their TMT, they face three types of constraints: relational, structural, and personal. These constraints limit the CEO's ability to establish the TMT as their strategic apparatus. Hence, to meet their requirements, CEOs tend to include members outside the TMT in their strategic apparatus. For this purpose, they often create staff positions and/or appoint new members into established positions. As an intermediary outcome, establishing a strategic apparatus can lead to two types of discrepancy between it and the TMT. The first type is the overlapping strategic apparatus, in which the strategic apparatus includes non-TMT members while excluding some members of the TMT. The second type is the subgroup strategic apparatus in which the strategic apparatus only includes a subset of TMT members.

However, we found that discrepancies between the strategic apparatus and the TMT tends to result in gradually increasing tensions between members included in and excluded from the strategic apparatus. In addition, some of the strategic orientation and integration requirements tend to become less important as new CEOs accumulate both knowledge and authority over time. Consequently, we tend to observe a gradual convergence between the strategic apparatus and the TMT, which manifests in different ways: non-TMT apparatus members moving into the TMT or being moved out from the apparatus or non-apparatus TMT members moving into the apparatus or moving out of the TMT.

The main themes and the linkages between them can be identified in all the cases, although different cases may vary in the subcategories of a particular theme. In the following, we present our detailed findings following the logic of the process model shown in Figure 1.

### 3.4.1 Formation of the Strategic Apparatus

*Strategic orientation requirements*

In this study, we found that all the CEOs took deliberate efforts to establish a group of collaborators, which often led to significant changes in their direct reports within and outside of the TMT. One type of requirement that drove these changes was related to the strategic orientation of the organization. Most new CEOs brought with them a different strategic agenda from their predecessor that varied from critical operational issues, to structural changes, to strategic changes. For example, the CEO of ServiCo told us:

> *[I]t was a new strategy for the firm, […] the way we were going to be operating our firm, one sense of purpose, was very different to how it had been. […] [I created] eleven initiatives. Okay, we will embed a high performance culture. We will create a differentiated brand. […]. We will do a step change in our capability, de, de, de, de, de.*

Such changes in the strategic agenda were typical both for successors promoted from outside and from within the company. The only exception was the CEO of MechCo who chose to retain the predecessor's strategic agenda without any changes whatsoever. Although the new agenda was sometimes also mandated by the board of directors, it was typically the CEO's responsibility to execute it. However, this was frequently not particularly easy as the existing executive members were either not committed to – or lacked the competences for – pushing the agenda. To meet the requirements of strategic orientation, new CEOs built into their strategic apparatus necessary competences, commitments, and special task forces.

Competences refer to the experience, knowledge, skills, and access to resources to be able to effectively pursue a particular strategic agenda. We found that creating or acquiring the necessary competences often involved adjusting positions and replacing members in the TMT to align with the new strategy or structure. When appointing new top managers, new CEOs looked in particular for those who have had experience in leading similar projects, networks accessing particular resources, market-specific knowledge, and/or skills associated with the agenda. For example, the CEO of ServiCo was pursing a growth strategy and for that he emphasized the importance of creating a position entitled "strategic clients" and appointing a person, who we refer to as T8[5], with particular competences. As he explained:

> *I created some new roles and I created what we call "head of strategic clients". [...] I felt that the best person for that was a person called [T8]. T8 is just a brilliant client person and he's a great strategist, so who is better to drive our strategy than someone like here.*

Another strategic orientation requirement is to ensure commitment that refers to the motivation and willingness to purse the new agenda. We found that new CEOs often had to dismiss managers who were too attached to the past or the preceding CEO because they impeded – or were perceived to impede – the new course of action. Concurrently, new CEOs appointed those with the willingness to move forward in the new direction. For example, when joining CleanCo from outside, the new CEO deliberately tested existing team members' willingness to go with his direction. As a result, he terminated a marketing manager who was not enthusiastic about pursuing the new direction. The CEO explained:

> *I made very clear at the beginning that we have to move on, that we have to move into new direction.[...] And then normally you wait and look what is the reaction. And for sure, people react differently. And especially with this marketing person, I found out there was almost no reaction. And so that's what I explained before. Being on the move means the key people, they have to be able and the willingness has to be there to – to move on together.*

In addition, there was also a requirement for a special task force for strategic orientation. When taking charge, the new CEOs often had many new ideas to be developed

[5] To preserve the anonymity of our informants, we refer to members of the TMT as T1, T2,...Tn, to staff members or lower-level managers as S1, S2,…Sn, and to members of the board as B1, B2,…Bn.

further and implemented. New strategic projects had to be coordinated. Moreover, as some top managers were in transition, their strategic work had to be undertaken by others. As a result, we found that new CEOs frequently saw a requirement to create positions particularly for developing and carrying out their emergent strategic ideas, coordinating and leading strategic projects, and supporting other departments in terms of strategic work whenever necessary. The nature of this type of work was more dynamic, emergent, and interim, and its responsibility could not be clearly defined. For example, the new CEO of ComCo created a COO position whose responsibility was not clearly specified. The CEO explained why he created such a position: *"I nominated him [T2] as a COO in the role of really being very close to me and often bringing things that I start really into the goal, bringing them really to the end."* In contrast to this particular case, most of these positions were created outside the TMT, perhaps because defining a clear role within the TMT for these positions was difficult. Typical positions serving these functions were "project management office," "strategic projects," and "organizational development." The unclearly defined scope of responsibility of such positions allowed them to address various topics that the CEO was concerned about. In SaleCo, for example, two new staff members, S3 and S4, were developing strategic concepts for the CEO and addressing emergent issues in other departments. Another staff member explained their roles:

> *He (the CEO) needs two or three people at a level for the concepts he needs. For example, [one department head], I think he's not so much into the strategic way and the concept way that he wants, and that's where S3 and S4 are going in and doing the whole presentations and big pictures and everything. This work is done here and that's why he needs them. [...] They are like a little police of him or a firemen department. In one department, if something is wrong and they cannot perform and keep up with the pace of [the CEO], these two have to support.*

Whereas in most cases, strategic orientation requirements were significant as perceived by the new CEO, this perception was less obvious in the two insider cases, TechCo and MechCo. In the former, the CEO stressed maintaining continuity; in the latter, the new CEO had a new perspective from which to direct the firm, but this new perspective did not involve no dramatic changes of strategy or structure. Therefore, in both cases, there were fewer requirements arising from strategic orientation than in others. Appendix 2 summarizes the representative quotes and evidence of the strategic orientation requirements across the eight cases.

*Personal integration requirements*

The second driver of establishing the strategic apparatus involved the personal integration requirements associated with (the necessity of) the CEO connecting with and relating to the organization (Denis *et al.*, 2000). We identified three integration requirements in our data related to the composition of the strategic apparatus: access to critical information, idea testing, and interpersonal fit.

Gaining access to critical information is a critical challenge for new CEOs. We found that formal information channels did not provide new CEOs with the information they needed in terms of the organizational atmosphere, the perceptions and expectations of key individuals, information regarding historical issues, firm-specific knowledge, and even critical operational information. Such information might help the CEO better understand the organization. For purposes of accessing critical information, new CEOs deliberately selected particular individuals for close collaboration. These individuals typically had two features. First, they had been working for a long time for the same organization and had a good working knowledge of the overall situation. For example, in the case of ManuCo, staff member S3 who was appointed for a major transformation project had been working in a global capacity for a long time, and the CEO believed him to *"know the group pretty well in the context of processes, the businesses, the people, the cultures."* He said that the CEO appointed him to understand the firm better through his knowledge. As he explained,

> *Because he (the CEO) is also new to the group and, probably if you do transformation, it might help to understand a little bit the cultures and how you can get best along with it.*

The second feature of these individuals is that they often had solid connections and knew what was happening in the organization. They were ordinary staff members, such as the communication officer and project management officer, who interacted with organizational members from lower levels and were thus able to provide the CEO with information regarding how the CEO was perceived by employees, the organizational atmosphere, and the feelings of important individuals. For instance, the CEO of SalesCo explained the importance of having such individuals close for critical information:

> *You also have to people who are well networked within the enterprise so that you have an early warning system in place. [...] If you don't have a few people through the ranks with whom you share a strong bond of trust you as a CEO won't know what's going on. [...] S3 does [have this function.] For me it's definitely S4, who is a great people person, and also S1, she knows what's going on within the company.*

Although in some cases, these individuals were members of the TMT, in most cases, they were members in staff positions close to the CEO – perhaps because they had fewer conflicts of interest in revealing such critical information to the CEO.

Another personal integration requirement is idea testing. As observed in this study, most new CEOs felt that it was necessary to have “sounding boards” or “sparring partners” for testing ideas. They sought to have some close collaborators with whom to discuss their ideas, looking particularly for individuals who would provide counterpoints or novel perspectives. Idea testing was particularly crucial for new CEOs because of the uncertainty and complexity associated with taking charge, on the one hand, and because of their unfamiliarity with the people and operations, on the other. These individuals often had “an eagle’s view” of the organization, had profound knowledge of the business or the organization, and could challenge the CEO on sensitive and critical issues. These might be members of the board, top managers or even staff members. For example, in the case of TechCo, the CEO actively searched within the TMT for individuals who could serve such a role. He explained,

> *Another topic which I started quite quickly to analyze [...] was my inner circle of the management team where I would like to discuss some topics. So to have one or two guys [...] where I could discuss, for example the CFO topic, what he believes I should do. [...] But to challenging such situation, how should I react, how should I present myself or TechCo in certain areas, in a meeting, in a conference, or whatever it will be.*

These individuals typically had strong views on the business or the market and were able to challenge the new CEO by providing alternative views. For example, in ServiCo the CEO worked closely with senior member T6 due to his strong views on the markets. One top manager explained why the CEO appointed T6 to the TMT:

> *T6 has got an important role, to a certain extent. I mean he's counter pole to some of [the CEO]'s thinking, also of the others. He's got very specific views about the market. Not necessarily shared by everyone, […] but he's got strong views.*

The final personal integration requirement is interpersonal fit, which refers to the match between the CEO and other members in terms of personality, behavioral style, and trust, which are all necessary for effective collaboration (Kristof-Brown, Zimmerman, and Johnson, 2005; van Vianen, Shen, and Chuang, 2011). We found that all the new CEOs had substantially different personalities and working styles from their predecessors. Therefore, when a CEO appointed or chose an individual for close collaboration, he or she was frequently concerned with the “chemistry” between them. For example, the CEO of ComCo wanted to have "hands-on" managers, which was very different from his predecessor's style. As he explained, *"I wanted to completely change. I wanted to have people who were hands on."* Similarly, the CEO of ServiCo wanted people with positive energy: *"I just don't want people who are always going to be negative. And we had some of those on the previous management committee."* Achieving interpersonal fit was a major reason why new CEOs often brought their former colleagues with them, either from their previous department in the insider cases or from their previous company in outsider cases. For example, the CEO of SalesCo explained the advantages of bringing in his former colleague, S5, from the outside:

> *"S5 and I were already colleagues at [another firm] and the constellation was the same. I knew him and I was the one who encouraged him to come on board at SalesCo. So if you've already worked together for many years, probably 10 years, it is relatively easy to let things take their course later."*

We found that both internal and external successors were concerned with personal integration requirements in general, which suggests that internal successors were concerned with creating the necessary context for mastering their new assignment, even when promoted from the inside. However, it seems that internal successors had less requirement for access to critical information, as observed in ServiCo, TechCo, and MechCo. Appendix 3 offers some representative quotes and evidence of personal integration requirements across the eight cases.

*Constraints of TMT change*

In contrast to the assumption in the literature that CEOs can always configure their TMT to meet strategic and organizational demands (Kor and Mesko, 2013), we found that new CEOs faced various constraints in so doing, which was a major reason why they did not collaborate closely with some TMT members while collaborating closely with others outside of the TMT. Three types of constraints were identified: relational, structural, and personal.

Relational constraints refer to the situations in which the CEO cannot change the status of a TMT member because of his or her relationship to particular organizational members. In some cases, an individual could not be replaced in the TMT because he or she was "protected" by his or her good relationship with the board of directors or to other TMT members. For example, at TechCo, top manager T7 had a good relationship with the board of directors. Although the new CEO found him problematic, it was not possible to replace him with respect to leading his department. The CEO explained this situation as follows:

*[With T7], I already planned end last year, beginning this year, to make some changes and I learned, I gave almost up that this is not possible because […] the boss said oh no, no, everything is okay and also T7 and other people, oh no they are working well and great.*

In some cases, the relationship that constrained TMT change was also negative in nature, such as when the TMT or the board of directors would not accept the person the CEO wanted to appoint. For example, the new CEO of SalesCo wanted to appoint his former colleague S5 to the TMT but he felt that this person would not be accepted by the board and by the other TMT members. As a result, the CEO recruited him as a lower-level manager but promoted him to the TMT within the year. S5 explained this situation:

*I think it was a bit political. [...] And it could well be that he [the CEO] thought that, also in the discussion with [the board of directors], it's easier to have me in this interim function and then to settle the task a bit later. [...]I see it was an extremely intelligent way to get me introduced into the company, not only because we came from [the same firm] but also in the contact with [the board]. So, placing the wanted person, politically correct, and then seeing what is [the solution].*

Some new CEOs also faced structural constraints, such as when a CEO would like to create or change positions in the TMT but was not allowed to do so by the board of directors. Because of the institutional requirements associated with the composition of the TMT, one might assume that CEOs always face structural constraints implicitly. In this study, the structural constraints were clear in MechCo and TechCo. For example, in MechCo, the CEO was required to combine his previous functional role as head of the sales department with his new role as CEO. As a result, he could not create a separate position of head of sales in the TMT. As he explained, *"it is forbidden by the Group. I have to accumulate two functions, CEO and sales, this is to reduce personnel costs."* In the end, he had to appoint S2 as a coordinator outside of the TMT who actually took over most of his previous responsibilities.

The third type of constraints consist of personal constraints, which refer to the situations in which the CEO could not appoint an individual to the TMT – or even retain one in the TMT – because of that individual's personal reasons. These reasons might be that the individual did not want to remain in or be appointed to the TMT. For example, in ManuCo, the CEO could not retain a former TMT member S2 because he wanted to retire earlier, but the CEO kept him as an advisor outside the TMT for the CEO's first year. In some cases, the collaborator did not want to be in the TMT because they did not have certain qualities or the ambition of being in a leadership position. For example, in ComCo, the top manager T2 explained such a situation with the financial controller S3:

*S3 would have, let's say, had the chance to get also the CFO job if he liked to do it, but he was always a very clear person saying I like my job, I'm a controlling person, I don't want to take more responsibility.*

Personal constraints also included those situations in which the CEO lacked good candidates or it took some time for the recruited members to join the firm. For example, in TraviCo, the CEO hired two top managers but it took six months for them to join; as a result, he faced a shortage of managers in the TMT. As he explained,

*I don't have enough managerial staff at the moment. So I have a good amount of people reporting directly to me which keeps me quite busy which is day-to-day things. […] There are not so many people here to talk to. I mean certain topics like reducing staff is not a topic you want to discuss with everybody in a corridor. […] It's very stupid to be in a company which is not in the best state, to be still quite new and not to be able to rely on a few people within the company.*

We found that new CEOs in the cases of functional structure face relational and structural constraints more frequently than those in the cases of divisional structures. The reason might be that in contrast to personal constraints, both relational and structural constraints are directly related to the role relationships in the TMT. Since the interdependence between TMT members is higher in functional than in divisional structures (Hambrick *et al.*, 2015), new CEOs tend to face more constraints of modifying the role relationships among them. However, we did not find systematic evidence for this explanation, which could be further explored. Appendix 4 provides some representative quotes and evidence for the constraints of TMT change across the eight cases.

*Establishing the strategic apparatus*

From a role theory perspective, establishing the strategic apparatus is a process through which new CEOs actively create their work environment by reconfiguring surrounding role relationships rather than passively adapting to existing role relationships. Three types of actions constitute this process: changing TMT positions and members, changing staff positions and members, and selecting immediate collaborators. Whereas the first two involve creating possibilities for close collaboration by adjusting formal role structures, the last involves including and excluding particular members for close collaboration in real working relationships. As discussed above, establishing the strategic apparatus is driven by the requirements of taking charge and is influenced by the constraints that new CEOs face. Appendix 5 provides an overview of how the different members of the strategic apparatuses of the eight companies relate to the different types of requirements and constraints.

The first type of action in establishing the strategic apparatus that we observed involves changing positions and members in the TMT, as driven by the requirements of strategic orientation and personal integration. Since TMT members are the natural collaborators for new CEOs, we found that CEOs took deliberate efforts to configure the TMT. Six out of the eight new CEOs changed their TMT substantially within the first six months both in terms of members and positions. Two firms, TechCo and MechCo, experienced fewer TMT changes, with only one member change in the former and no change in the latter. This resulted mainly for two reasons. First, these CEOs did not initiate strategic or structural changes at the beginning of their tenure and had fewer strategic orientation requirements, as a result. Second, both CEOs were promoted from within and had fewer integration requirements than the other CEOs. Therefore, regarding TMT change when new CEOs take charge, our findings suggest the following proposition:

*Proposition 1. The greater the CEO's perceived requirements for strategic orientation and personal integration, the more likely he or she will change positions and/or members in the TMT.*

As discussed above, new CEOs faced various constraints when configuring their TMT. For this reason, they sometimes were not able to replace particular TMT members or to appoint particular individuals to the TMT. In such situations, we found that new CEOs often changed staff positions and members close to them to be able to collaborate with certain individuals. When they could not remove particular TMT members, they often did not include them in their network of immediate collaborators. In other words, the constraints of TMT change forced new CEOs to collaborate with individuals outside the TMT. These findings suggest the following proposition:

*Proposition 2.The greater the constraints on TMT change, the more likely a new CEO will choose immediate collaborators outside the TMT.*

### 3.4.2 Discrepancy Between the Strategic Apparatus and the TMT

In contrast to most literature that assumes that CEOs collaborate with their TMT members to lead their organization, we found that this is not the case – at least not for new CEOs. After the initial efforts of establishing a group of immediate collaborators within their first six months, all the new CEOs created a strategic apparatus that differed from their TMT. Two types of discrepancies between the strategic apparatus and the TMT were identified:

overlapping strategic apparatus and subgroup strategic apparatus. Overlapping strategic apparatuses refer to situations in which the members of the strategic apparatus and the TMT only partly overlap, which we found in six cases. In the other two cases, ServiCo and TechCo, the strategic apparatus consisted only of a subgroup of the TMT members. Figure 2 provides an overview of these two types of discrepancies and their manifestations in all eight cases.

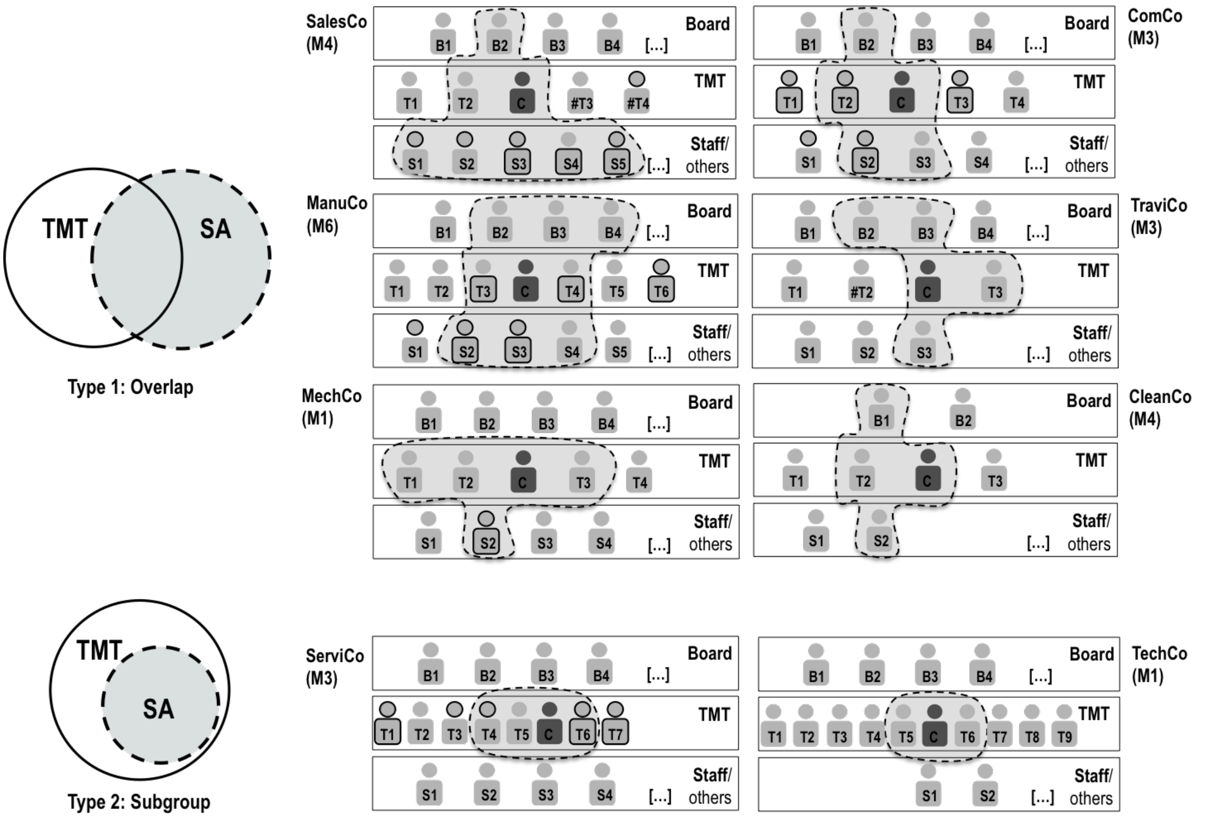


**Figure 2: Two types of discrepancy between the strategic apparatus and the TMT**

*Note:*

1) *Dotted line indicates the CEO's strategic apparatus;*
2) *A square with frame indicates a change of the position; a circle with frame indicates a change of the person; # indicates that the current occupant is about to leave;*
3) *[…] indicates other members in this category; and*
4) *(M) indicates the number of months since the new CEO taking charge;*

In the overlapping type, the CEO's immediate collaborators included members outside the TMT, such as members of the board of directors, staff members, and even lower level managers. For instance, in SalesCo, the CEO worked closely with B2 – the representative of the main shareholder on the board of directors – in testing ideas during the process of strategic development. The CEO was in close collaboration with staff members S1, S2, S3, and S4. The communication manager, S1, explained the situation:

> *He had a close, close circle (i.e., S1,S2, S3, S4) when he started and he said, "You are the team. You are my team. You are really close to me. I need you. You are important for the company," at the beginning.*

Among these members, the new CEO even created new positions to have S3 and S4 to help him with important strategic topics. He explained, *"with [S4] and [S3], I have people who can really think integrally, which is something most of the members of the executive board can't do to the same extent."* The personal assistant to the former CEO and the current CEO also noted that the new CEO created new staff positions and relied more on staff members than his predecessor did. She explained that *"there is basically a second group that is relatively close [to the CEO]. The former CEO did, primarily, rely on the management board members. Exclusively."* In addition to the staff members, the CEO also worked closely with a lower-level manager, S5, who was a former colleague of and brought in by the CEO. As discussed above, the CEO was concerned about his acceptance if he appointed him directly to the TMT. As a result, S5 was recruited as a non-TMT member, but the CEO began working with him on strategic issues right away. In this case, the CEO did not involve T3 and T4 in strategic topics because both were interim heads and it was taking some time to search for new members. The CEO wanted to replace T1 but he was protected by his relationship with the board of directors. In summary, the discrepancy in SalesCo between the strategic apparatus and the TMT resulted because certain personal integration and strategic orientation requirements could not be met within the TMT as a result of the perceived constraints on TMT change. For similar reasons, such discrepancy also appeared in the other five cases of the overlap type. Based on these findings, proposition 2 can be extended as following:

> *Proposition 2*. The greater the perceived requirements of strategic orientation and personal integration that cannot be met by changing the TMT, the larger the discrepancy will be between the strategic apparatus and the TMT.*

The other type of discrepancy we found is the subgroup type in which the immediate collaborators include some but not all TMT members; this type was identified in ServiCo and TechCo. Both firms had a management team of 7-9 members in addition to the CEO, which was significantly larger than those of the other firms. We found that both new CEOs closely collaborated with only 2-3 people on the TMT, whereas other executive members were marginalized and not consistently included in the core decision-making circle. This finding is similar to findings made by Roberto (2003) that in many top management teams only a subset of core members are consistently involved in making strategic decisions, whereas the remainder are only involved in particular type of decisions.

In contrast to the cases involving overlap, both the strategic orientation requirements and personal integration requirements could be met within the TMT in the two subgroup cases. Both CEOs maintained a large management team for historical reasons within their particular organizations. However, in large TMTs, as observed in these two cases, it is almost impossible that all of the TMT can be included to participate in making each strategic decision. It is also unlikely that CEOs would have the time and energy to work with too many members closely. Therefore, our findings suggest the following proposition:

*Proposition 3. In very large TMTs that meet both the strategic orientation and personal integration requirements of the new CEOs, such CEOs are likely to create their strategic apparatus from a subgroup of the TMT without including individuals outside of the TMT.*

### 3.4.3 Convergence of the Strategic Apparatus and the TMT

By tracking the evolution of the strategic apparatus over time, we can identify a gradual process of convergence between the strategic apparatus and the TMT: in other words, the membership of the strategic apparatus and of the TMT became increasingly identical over time. This convergence process often began within the first year and continued into the second and sometimes even third year. This convergence was typically triggered by two circumstances: increasing tensions between the strategic apparatus and the TMT and decreasing requirements met outside of the TMT.

*Increasing tensions between the strategic apparatus and the TMT*

We found that tensions grew over time between the strategic apparatus and the TMT. As informed by the role theory perspective, two particular factors leading to the tensions were identified: role conflict and role ambiguity. First, the tensions were a result of role conflicts, i.e., by the incompatibility of different role expectations regarding an individual. As a result of the discrepancy between the strategic apparatus and the TMT, some TMT members outside the strategic apparatus realized that they were being left out of making strategic decisions despite their formal strategic roles, whereas certain non-TMT members in the strategic apparatus might be powerful in reality although they did not occupy formal strategic roles. This conflict between formal and informal roles often led to high levels of tension and personal conflicts. In TraviCo for example, top manager T1 was left out of important decisions. He explained,

> *"And unfortunately, there are now camps, obviously, because I am not in [the CEO]'s camp. I'm not in a camp at all because there is no camp left. [...] The resistance [to me] is a bit more subtle. [...] We don't have confrontations. But I feel, more and more, what I say, I could also say to that all the way and I'm not being taken serious."*

Staff members who had an informal strategic role that was not part of their job description also experienced role conflict. For example, project manager S2 in ComCo explained that he played an important role in the background but not in a formal executive role, which resulted in strong tensions between him and other top managers. He explained:

> *To be honest, I'm in a really tricky situation [...]. On the one hand, I really like to work with the CEO because I think, in his heart, he's a good guy. He's polite. He has the same values as I do. The topics are really interesting, really dynamic. On the other hand, I'm always in the background. [...] I'm not a member of the Group Executive Board. I don't have a salary [as they do].*
> *I really feel it's difficult because there is this stupid thing about who spends more time with the CEO, who knows more. [...] I have quite a high frustration rate, but at the end, I always have to ask myself, is the whole package good or not? I don't know. It depends. I can't say.*

Second, some staff members in the strategic apparatus had responsibilities that were ambiguous and not clearly defined (i.e., role ambiguity). As discussed above, new CEOs often created staff positions to have the possibility to collaborate with particular individuals but the official responsibility for these positions were often not specified. These positions included "project office," "strategy and projects," "organizational development," "office coordinator", etc. However, due to the role ambiguity of the individuals occupying these positions, others often questioned them about their roles and their situations became personally stressful. In SalesCo, for example, the roles of staff members S3 and S4 were not clearly specified to others. As T7 explained, *"This is like a cloud, nobody really knows their role."* Because of the ambiguity of their roles, some members were actively struggling with their jobs. For example, the sales department coordinator in MechCo was stressed because his role was between a department head and a lower-level manager. As he explained,

> *Of course the situation of me [...] sometimes brings some – I wouldn't say that these are problems [...]. So maybe in some months or some years I will be forced to say to the CEO, you have to make a decision or to take a decision because my situation, it's not easy like this, I'm in the middle and I'm in the no man's land.*

Appendix 6 offers an overview of some representative quotes and other evidence for the tensions experienced in the eight cases. We found that tensions were particularly strong in the overlap type cases, i.e., where the CEO closely collaborated with staff members or other lower-level managers outside of the TMT. In contrast, in the subgroup type cases, i.e., in which new CEOs selectively collaborated with only certain TMT members and excluded others from their strategic apparatus, tensions were less intense because both role ambiguity and role conflict are both relatively higher in the overlap type cases than in the subgroup type cases. This finding suggests the following proposition:

*Proposition 4. The more immediate collaborators that the CEO has outside of the TMT, the higher the tensions are between the TMT and the strategic apparatus, resulting in a greater probability of convergence between the two.*

*Decreasing requirements and constraints*

As noted above, the main reason for the discrepancy between the strategic apparatus and the TMT was that certain requirements of personal integration or strategic orientation could not be met within the TMT (i.e., in the cases of overlap). Over time, however, some requirements became less important as new CEOs accumulated knowledge and authority and certain constraints involved with TMT change disappeared. In particular, three requirements of strategic orientation and personal integration were found to have become less important over time: the special task force, access to critical information, and idea testing. First, many of the new CEOs utilized special task forces to address emergent strategic work. We found that the requirement for such task forces decreased as strategic projects became more structured and well-implemented. The organization stabilized over time and new CEOs had fewer unstructured tasks or ideas to be developed and implemented. Moreover, initially there were personal constraints involved with replacing some top managers, as it took time to find candidates and for them to take office. As new top managers eventually joined the TMT, they were able to perform the strategic work that was previously performed by the special task force. For example, the CEO of SalesCo explained that as one permanent department head finally replaced the interim one, he could now re-assign the strategic tasks that were previously undertaken by certain staff members. As the CEO explained,

*And that's where we have certainly had the biggest gap for a year – in sales. [...] that's where you did of course have to build a parallel organization to bridge the gap you have there. [...] In fact, the true difficulty is that you do have to assign certain responsibilities, competencies to people who are working on the staff level, the project level and now [T7] is coming on board and [...] he now has to take the* *lead, in those issues, those are his responsibilities. [...] it means that they have to take a hierarchical step back when it comes to these issues.*

Second, we found that gaining access to critical information was particularly important at the early stage of taking charge but became less so over time. Some collaborators installed for that purpose thus became less important. New CEOs accumulated their own knowledge of their organization over time. For example, in CleanCo, the CEO was working closely with a staff member who had detailed knowledge of the organization and clients. However, after about a year, the CEO stopped working closely with him. As the CEO explained, "*S4 helped me a lot at the beginning [by providing information]. [...] But I recognized I can only work with him until it comes to a certain stage or level.*"

Third, the requirement for testing ideas also became less important. In many cases, the CEO used certain board directors or organizational members who had long histories with the company as sounding boards or sparring partners for testing ideas due to the CEO's lack of familiarity with the new situation and the attendant high uncertainties associated with taking charge. However, this requirement become less important as new CEOs accumulated knowledge and learning over time and better understood the protocols for assessing ideas. For example, in ManuCo the CEO engaged closely with three directors as sounding boards for initiating changes in the structure and the TMT, but he stopped doing so after six months. As the CEO explained,

*I was updating them on what I was doing, and they were giving me their feedback. And then in November they told me, we believe there's no longer any need, and by the way I had the feedback I needed and it was okay also.*

In summary, some initial requirements of strategic orientation and personal integration that were initially served by collaborators outside the TMT became less important over time as the new CEOs accumulated learning, knowledge, and authority in the organization and as certain other constraints involving changing the TMT disappeared at some point. Appendix 7 provides an overview of some representative quotes and evidence from the eight cases. As a result of these decreasing requirements, some non-TMT members who were initially included in the strategic apparatus for meeting those requirements also became less important to the CEO. As we observed in this study, new CEOs then shifted their immediate collaboration away from these members outside of the TMT, which leads to the following proposition:

*Proposition 5. As the strategic orientation and personal integration requirements that are served by non-TMT members become less important, the CEO is likely to exclude those members from his or her strategic apparatus.*

*Convergence of the strategic apparatus and the TMT*

Triggered by increasing tensions and decreasing requirements, the strategic apparatus tends to converge gradually with the TMT over time. Figure 3 provides an overview of how these convergences manifested in the eight cases. The convergences typically involved two types of individuals: *strategic apparatus members outside the TMT* and *TMT members outside the strategic apparatus*. With respect to the former, Figure 3 shows that the external members of the strategic apparatus either entered into the TMT or exited the strategic apparatus. For example, project office manager S3 of ManuCo was promoted to the TMT in the third year, whereas in the case of SalesCo, the CEO initially collaborated closely with a group of staff members but eventually shifted away from them. Staff member S1 described this shift:

> *Before, it was really the circle. It was me, S3, S4 and, well, maybe S2. […] He had a close, close circle when he started and he said, "You are the team. You are my team. You are really close to me. I need you. You are important for the company," at the beginning, and now you see that he has the [executive] team together and this is the second row now. […] Unbelievable. We would have done everything for him at the beginning, and this got lost. […] The more power he got and the more focused he is on his sports team, […] and now the circle is clearly, defined.*

In some cases, external apparatus members even left the firm altogether as a result of the convergence. For example, staff member S2 left ComCo as a result of the tensions.

For those TMT members outside of the strategic apparatus, there was a tendency that they either entered the strategic apparatus or exited the TMT, as shown in Figure 3. As working relationships developed, some of those TMT members became close collaborators with the CEO. Otherwise, they tended to leave the firm and be replaced by new top managers. For example, in ComCo, both T3 and T4 were not close collaborators of the CEO at the beginning; while T3 managed to build a close working relationship with the CEO, T4 could not resolve his conflict with other strategic apparatus members and finally left the firm.

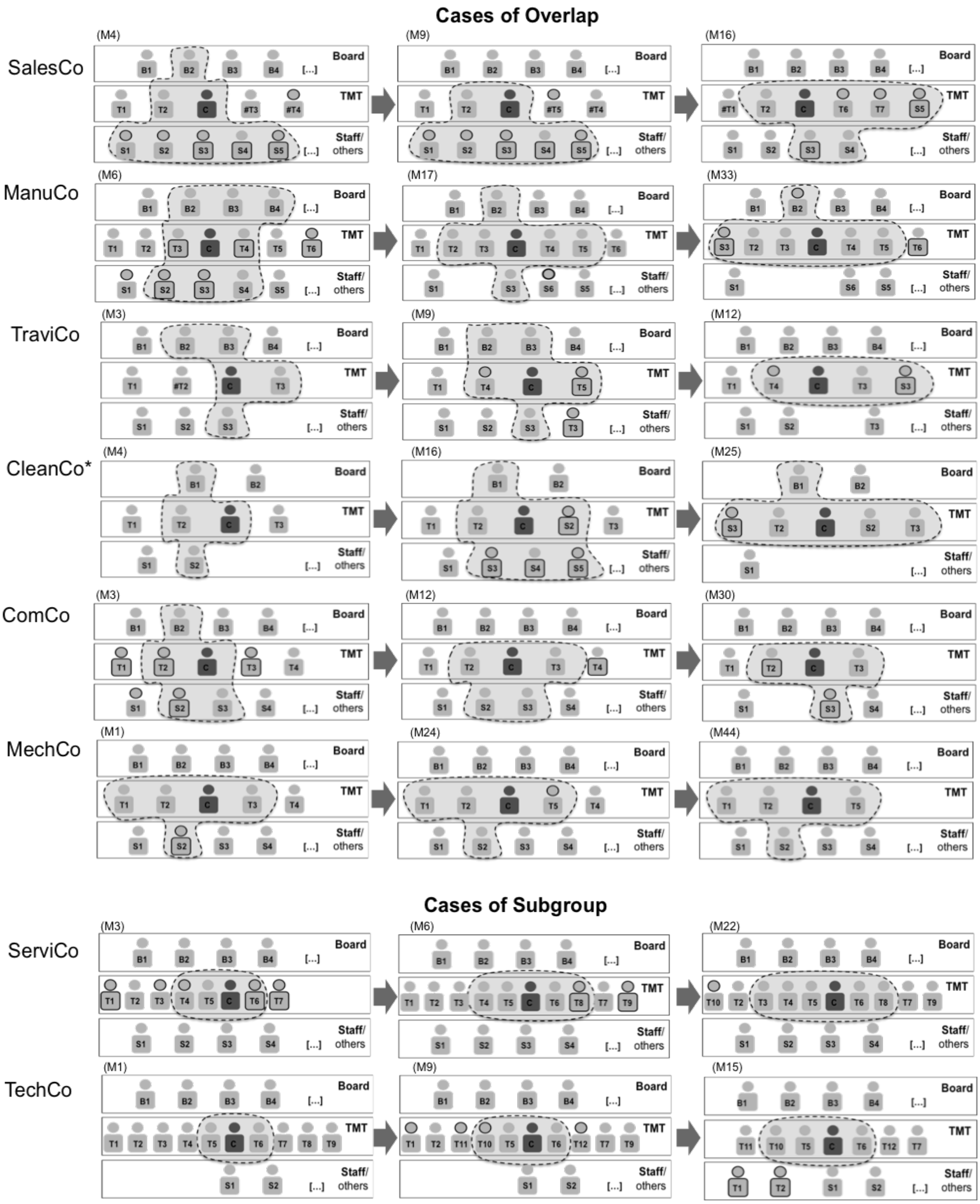


**Figure 3: An overview of the convergence between the strategic apparatus and the TMT**

Note:

1) *Dotted line indicates the CEO's strategic apparatus;*
2) *A square with frame indicates a change of the position; a circle with frame indicates a change of the person; # indicates that the current occupant is about to leave;*
3) *[…] indicates other members in this category;*
4) *(M) indicates the number of months after the new CEO taking charge; and*
5) ** In CleanCo at the second stage, there was an expansion of staff members included in the strategic apparatus because of the acquisition of another organization.*

As shown above, the strategic apparatus is dynamic in nature and evolves over time in the early tenure of new CEOs. On one hand, the CEO tends to shift collaboration away from members outside the TMT when triggered by the increasing tensions between the strategic apparatus and the TMT and the decreasing requirements served by individuals outside the TMT (i.e., proposition 4 and 5). On the other hand, new CEOs develop close working relationships within the TMT and thus collaborate with more TMT members as a result of increasing interactions over time. Therefore, the strategic apparatus and the TMT tend to generally converge over time – although they may never become completely identical – suggesting the following proposition:

*Proposition 6. The strategic apparatus and the TMT tend to converge over time: the longer the CEO's tenure, the more the members of the strategic apparatus will be identical to the members of the TMT.*

## 3.5 Discussion and Conclusion

### 3.5.1 Divergence and Convergence Between the Strategic Apparatus and the TMT

In this paper, we set out to examine how new CEOs establish a TMT and how they direct the organization with a TMT in transition. We find that new CEOs make deliberate efforts to configure their TMT in terms of members and positions, as driven by the requirements of strategic orientation and personal integration. However, they face various constraints to do so and they often have requirements that cannot be met within the TMT. As a result, it is difficult for new CEOs to rely on a TMT in transition to direct their organization. Instead of relying exclusively on TMT members, new CEOs often establish and work with a strategic apparatus whose composition differs from that of the TMT. The theoretical framework presented in the findings elaborates upon the reasons for the discrepancy between the strategic apparatus and the TMT and the mechanisms that lead to their convergence over time.

From a role theory perspective, both the TMT and the strategic apparatus can be understood as a role constellation within which multiple members occupy differentiated but complementary roles to achieve certain functions (Denis *et al.*, 2000; Hodgson *et al.*, 1965). While the TMT is formal, the strategic apparatus is informal. When a new CEO takes charge, the existing TMT constellation often does not fit his or her requirements in leading the organization, not only in terms of strategic orientation requirements but also in terms of personal integration requirements (Fondas and Stewart, 1994). When facing constraints associated with enacting the formal TMT constellation, the new CEO tends to create a strategic apparatus that diverges from the TMT as the actual leadership constellation, whose members fulfill various functions according to the requirements of the CEO when taking charge. However, the two tend to converge later. As the two role constellations interact around the same functions of making strategic decisions and leading the organization, tensions can arise due to role ambiguity and role conflict (Jackson and Schuler, 1985; Kahn *et al.*, 1964; Tubre and Collins, 2000). Moreover, some requirements of the CEO that might not be met by the TMT constellation become less important as the CEO accumulates knowledge and authority over time and is able to change the TMT constellation due to the disappearance of the constraints. Therefore, the strategic apparatus and the TMT experience a tendency toward convergence, although they may never become completely identical.

### 3.5.2 Advantages of a Strategic Apparatus Perspective

This study contributes to upper echelons research by providing a strategic apparatus perspective. Whereas upper echelons research typically assumes that TMT members work together as a team to shape the strategic direction (Carpenter *et al.*, 2004; Hambrick and Mason, 1984), our findings suggest that this is not always the case. We find that the strategic apparatus, i.e., the grouping of the CEO's immediate collaborators, is often not identical with the TMT. Although the two tend to converge over time, the process of convergence can take a long time, and they may never become identical. In most of the cases investigated in this study, the strategic apparatus remained significantly different from the TMT in the second and even in the third year. As the result of a rapidly changing environment, CEOs may need to constantly reconfigure their TMT and new relational, structural, or personal constraints can arise. Therefore, the strategic apparatus is likely to differ from the TMT, in general. Three previous studies that are not only focused on new CEOs support this notion. Hambrick (1995) finds that many CEOs have various problems with their TMT, such as having problematic executives or fragmentation in the team. In such cases, it is unlikely that the strategic apparatus will be identical to the TMT. Pitcher and Smith (2001) find that the titles of members of formal TMTs are sometimes not consistent with their actual roles in strategic decision making. Similarly, Roberto (2003) finds that there is often "a stable core" of members of TMTs who are involved in all strategic issues, whereas the remaining members are mainly occupied with operational responsibilities and only involved in particular strategic issues. The stable core is similar to the strategic apparatus identified here, but the difference is that we find that the strategic apparatus can also include members outside of the TMT (i.e., the overlap type) and is not limited to being a subgroup of it. In summary, if the strategic apparatus differs from the TMT in general, we must be cautious about using the TMT as an indicator of strategic outcomes.

A strategic apparatus perspective also contributes to our understanding of strategic leadership. First, a strategic apparatus perspective directs attention to the basic question of strategic leadership: How are strategic decisions made and who is involved? It emphasizes the actual interaction dynamics between the CEO and his or her collaborators, which has largely been neglected in upper echelons research (Hambrick, 2007) and points to the importance of understanding role structures between the CEO and other collaborators. A strategic apparatus perspective allows us to discuss who is included and who is excluded in actual strategic decision making, notwithstanding formal roles. Although recent research has used TMT behavioral integration to capture the actual decision-making dynamics in the TMT and emphasized its importance for shaping strategic outcomes, there is only limited understanding of how TMTs actually become fragmented and how CEOs handle fragmented teams with low behavior integration (Carmeli and Schaubroeck, 2006; Hambrick, 1994; Hambrick, 1995; Simsek *et al.*, 2005). A strategic apparatus perspective suggests that CEO succession is often associated with TMT fragmentation and to direct the organization they may collaborate with members outside the TMT or only utilize a subgroup within the TMT for strategic issues (Hambrick, 1995; Pitcher and Smith, 2001; Roberto, 2003). Thus, it allows us to discuss how CEOs actually manage fragmented TMTs or those with low behavioral integration.

Second, whereas upper echelons research typically focuses on the TMT, the strategic apparatus perspective allows for a broader view of the CEO's immediate collaborators as it can include the members of the board of directors, staff members, or even lower-level managers – all depending on the CEO's requirements. This directs attention to the strategic roles of those individuals who have not been well understood, as they cannot be clearly defined as top managers or middle managers that are typically studied in the literature (Dutton, Ashford, O'Neill, and Lawrence, 2001; Dutton and Ashford, 1993; Floyd and Wooldridge, 1997; Rouleau and Balogun, 2011; Wooldridge and Floyd, 1990; Wooldridge, Schmid, and Floyd, 2008).

Third, whereas sharing with upper echelons research the assumption that CEOs need immediate collaborators to be able to direct their organizations, a strategic apparatus perspective highlights the important role of CEOs in configuring the constellation of their collaborators. By contrast, the upper echelons research typically neglects the distinct role of the CEO from other TMT members (Hambrick, 1994). A strategic apparatus perspective directs attention to how, when, and why the CEO configures his/her group of collaborators to direct the organization (Kor and Mesko, 2013).

### 3.5.3 TMT Formation and Evolution

Our findings further contribute to the literature by identifying the dynamics of TMT formation and evolution. The CEO succession literature has shown the importance of TMT change for new CEOs to effect strategic and organizational changes (Barron, Chulkov, and Waddell, 2011; Friedman and Saul, 1991; Karaevli, 2007; Keck and Tushman, 1993; Kelly, 1980; Shen and Cannella, 2002; Tushman and Rosenkopf, 1996), but there remains limited understanding regarding how new CEOs actually form their TMT. Upper echelons researchers also call for studying the mechanisms that lead to TMT composition and evolution (Hambrick, 2007: 338). Our findings show that when establishing their TMT, new CEOs were concerned with two types of requirements: strategic orientation and personal integration. Whereas the literature typically focuses on the former and assumes that CEOs form an assemblage of competences and skills in TMT that can meet environmental demands (Kor and Mesko, 2013), we show that the personal integration requirements of relating to and connecting with the organization is also important (Denis *et al.*, 2000). Therefore, our findings enrich our understanding of the social and interpersonal dynamics underlying TMT formation.

Moreover, we find that CEOs often face various constraints on changing their TMT: relational, structural, and personal. These constraints prevent CEOs from changing particular positions or members in the TMT. Thus, instead of relying on the TMT, the CEO works closely with a subset of TMT members and/or other members outside the TMT in leading the organization. The constraints of TMT change have important effects on the formation of the TMT that have not been explicitly examined in the literature. Our study is the first step toward exploring these constraints and how CEOs address them.

In addition, our findings also show the mechanisms underlying the evolution of TMT composition. We find that forming the TMT is an ongoing process. Because certain constraints on TMT change can disappear and CEOs' requirements with regard to directing the organization can change over time, CEOs tend to make further changes in their TMT. These changes are also influenced by the tensions among various collaborators of the CEO. We find that the TMT evolves over time, not only in terms of its composition but also in terms of the working relationships among its members. In the long run, CEOs tend to collaborate more with TMT members and shift away from collaborations with members outside of the TMT.

### 3.5.4 Limitations and Opportunities for Future Research

Like all research, ours has limitations, which also provide opportunities for future research. First, the firms investigated in this research are all based in Europe, although some of them are multinationals. As a result, we do not know the cultural influences on the patterns we find here. Some research suggests that new CEOs from different cultures might exhibit somewhat different behavioral patterns (Nakauchi and Wiersema, 2015; Sakano and Lewin, 1999). For example, Sakano and Lewin (Sakano and Lewin, 1999) find that strategic or structural changes in Japan are not observable in the first two years, which contrasts with the US, where they are often observed in the first year of a new CEO's tenure, suggesting that the patterns of divergence and convergence between the strategic apparatus and the TMT may differ by culture. Therefore, future research might explore how different cultural contexts affect how new CEOs establish their TMT and the constraints they may face when taking charge.

Second, this research focused on the reasons why new CEOs establish their TMT and strategic apparatus in particular ways and the patterns of their discrepancies and convergences but did not examine their effect on outcomes in any detail. Future research might examine how the types of discrepancy (i.e., overlap and subgroup types) and convergence influence organizational outcomes, such as the likelihood of strategic change or its impact on financial performance. Another important outcome to examine might be the new CEO's legitimacy within the organization (Denis *et al.*, 2000).

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**Appendix 1: Characteristics of Eight Cases**

| | Industry | Status of the firm | Scope of operation | Age (years) | Number of employees |
|---|---|---|---|---|---|
| ManuCo | Manufacturing | Corporate | Multinational | 50-100 | >5,000 |
| TechCo | Manufacturing | Subsidiary | National | 50-100 | 500-5,000 |
| MechCo | Manufacturing | Subsidiary (own identity) | Multinational | >100 | 500-5,000 |
| CleanCo | Manufacturing | Corporate | Multinational | 10-50 | <500 |
| ComCo | Service | Corporate | Multinational | >100 | >5,000 |
| SalesCo | Service | Subsidiary (own identity) | National | >100 | 500-5,000 |
| ServiCo | Service | Subsidiary | National | 50-100 | 500-5,000 |
| TraviCo | Service | Corporate | National | 10-50 | <500 |

## Appendix 2: Representative Quotes and Evidence for Strategic Orientation Requirements

| | *Competence* | *Commitment* | *Special task force* |
|---|---|---|---|
| ***ComCo*** | "I had to implement a new structure, [for which] I had to find the right people within a couple of weeks. So it was like a restart, you know. I didn't take over the group executive board." ($CEO_{ComCo}$) | "[Y]ou have to get the people […] behind the new structure […] [I] told them: "Listen, I'm thinking about this structure, can you – what do you think? Can you see – do you see your role in this structure?"" ($CEO_{ComCo}$) | "I nominated him [T2] as a COO in the role of really being very close to me and often bringing things that I start really into the goal, bringing them really to the end." ($CEO_{ComCo}$) |
| ***ServiCo*** | "[The] leadership team which he put together, was a different one than before, in order to mirror the strategy going forward which all of us have defined." ($T6_{ServiCo}$) | "They had to be ambitious, to me they had to be part of this journey that we're going to go on, which is to continue rapid growth of the business, so energy was important." ($CEO_{ServiCo}$) | *No indication of a requirement for special task force that was not met by the existing TMT constellation.* |
| ***TechCo*** | *No indication of a requirement for competences that was not met by the existing TMT constellation.* | "T4 was quite close to [the former CEO] and everybody saw T4 the deputy of him also when he left. So the good point was also to say okay, let us start in a new view, with a new culture, which is then also easier without T4, where everybody sees still [the former CEO] is here." ($CEO_{TechCo}$) | *No indication of a requirement for special task force that was not met by the existing TMT constellation.* |
| ***MechCo*** | *No indication of a requirement for competences that was not met by the existing TMT constellation.* | *No indication of a requirement for commitment that was not met by the existing TMT constellation.* | "The management board is the same, but of course in the sales department I had to look for a person who would take over the function of sales coordinators, coordinators of the back office, coordinator of the technical support. […] I proposed S2 this function so he's now my right hand in the sales department. But he has also a lot of function with the production and so on, is coordinating. So I had to have such a man." ($CEO_{MechCo}$) |
| ***ManuCo*** | "I've put within the responsibility of current CFO what is more shared service, IT and procurement. Why? Because he is the best in the executive committee to make it happen. He already delivered that when he was CFO in South Asia. […] Basically this organization [of new TMT] was to get a better line on the whole strategy trip program." ($CEO_{ManuCo}$) | "In fact T4 volunteered for the job in Americas. I was not one of the central because he was more corporate guy. And he was surprised that I gave it to him […] because I thought we'd better take a really motivated [person]." ($CEO_{ManuCo}$) | "I think, we need somebody on the corporate level, you know, to manage that [program]. It's not good enough just to announce it, but we need somebody to take it up and shape it and be there and be the face and whatever. And this is where I came into the game." ($S3_{ManuCo}$) |
| ***TraviCo*** | *As a result of setting up two new departments focusing on B2B and B2C respectively, department heads with the distinctive knowledge and skills in the respective areas were required, which the existing TMT members lacked.* | "And the former finance person and the former department head T3, they were a part of it (i.e., the history of the organization). They didn't cause the whole mess or the whole thing, but they were a part of it and [...] they couldn't really move on because they were still in this whole thing. And by having new people in place now doing these jobs, not knowing | *No indication of a requirement for special task force that was not met by the existing TMT constellation.* |

| | | | |
|---|---|---|---|
| | | much about the past and they don't actually care much about the past, they just look at things the way they are and they just try to fix them, which gives a completely new culture somehow." ($CEO_{TraviCo}$) | |
| ***SalesCo*** | "I think S5 is a good choice. He has solid knowledge and is also a perfect fit who meets our future expectations. […] Especially in the entire area of business information, […], he can move us ahead effectively. That's an area where we will have to take a quantum leap." ($CEO_{SalesCo}$) | "I paid extreme attention [...] that we would bring on board new colleagues who would really be supportive of this school of thought." ($CEO_{SalesCo}$) | "Because of the huge change in the company, he decided to start a program office, like a strategic office. So he asked myself to lead this office because I've done these things before." ($S4_{SalesCo}$) |
| **CleanCo** | "But the production manager [S2], I think he is the person. I have to get him into that position that he is able to move on in that process. [...] 'Cos in that position I need a person who can 100% back up me. It's too critical." ($CEO_{CleanCo}$) | "And I made very clear at the beginning that we have to move on, that we have to move into new direction. [...] And then normally you wait and look what is the reaction. And for sure, people react differently. And especially with this marketing person, I found out there was almost no reaction. And so that's what I explained before. Being on the move means the key people, they have to be able and the willingness has to be there to – to move on together." ($CEO_{CleanCo}$) | "S3, my assistant, has now got a lot of projects, prices and this and that, but now he will go into the day-to-day business and take over from T1. [...] he will do all these things I just mentioned […]. I will educate him on how important it is and I think we have a common understanding about that already now." ($CEO_{CleanCo}$) |

## Appendix 3: Representative Quotes and Evidence for Personal Integration Requirements

| | *Access to critical information* | *Idea testing* | *Interpersonal fit* |
|---|---|---|---|
| ***ComCo*** | "[S3] is the main master brain of numbers in the company. So he knows since 25 years every single number of Division A. [...] [The CEO] is using him as a source of information very much because he knows so much about all the history, because he's so long inside of the company." ($T2_{ComCo}$) | "And I feel that the circle of S3, S2 and me, we are people who can do this [i.e., to provide alternative views], where he's saying I like to have it even: '"I need that somebody is telling me if I'm going on the wrong side."" ($T2_{ComCo}$) | "But for me, it's always very important that I have a good feeling at the end for the people […]. […], there is a lot of people who have great knowledge out there, but maybe there is a little bit less people out there who have a good personality, who you can build trust, where you understand yourself well, where it makes fun to work with them." ($CEO_{ComCo}$) |
| ***ServiCo*** | *No indication of a requirement for access to information that was not met by the existing TMT constellation.* | "So he (the CEO) knows that if I tell him something, it is more or less the truth or at least the subjective truth. And that's what we are basing on. The two of us have a very, very good relationship. We can be very critical with each other, of course." ($T6_{ServiCo}$) | "I want people who are going to be honest with me and are going to challenge me, and feel they can express themselves. I just don't want people who are always going to be negative. And we had some of those on the previous management committee." ($CEO_{ServiCo}$) |
| ***TechCo*** | *No indication of a requirement for access to information that was not met by the existing TMT constellation.* | "Another topic which I started quite quickly to analyze [...] was my inner circle of the management team where I would like to discuss some topics. So to have one or two guys [...] where I could discuss, for example the CFO topic, what he believes I should do. [...] But to challenging such situation, how should I react, how should I present myself or TechCo in certain areas, in a meeting, in a conference, or whatever it will be." ($CEO_{TechCo}$) | "[With T4], what I didn't really liked on his side was he was not really care about the people. He was more looking, oh, I will manage that but I will not like to have too much contact with the people. And his behavior I didn't really like to be honest. And this was really the change that T10, he has really a good link to the people which I really appreciate, and that was the reason that we made this change in April that he takes over now this HR position." ($CEO_{TechCo}$) |
| ***MechCo*** | *No indication of a requirement for access to information that was not met by the existing TMT constellation.* | *No indication of a requirement for idea testing that was not met by the existing TMT constellation.* | "We have a good relationship before, and we continue to have a good relationship after, a very open relationship. He (the CEO) gives me many things to do but also many responsibilities. [...] Of course you can also say I was the lucky one too. Because I think it doesn't happen so often that you get the chance like that, that your boss just gets CEO and you can just go up with him." ($S2_{MechCo}$) |
| ***ManuCo*** | *S3 explains why the CEO works closely with him:* "With this global task, you know, obviously I know the group pretty well in the context of processes, the businesses, the people, the cultures, and all that goes with it. […] Because he [the CEO] is also new to the group and, probably if you do transformation, it might help to understand a little bit the cultures and how you can get best along with it." ($S3_{ManuCo}$) | "And there (i.e., with B2, B3, and B4) was kind of sounding board. So I started like that with them. [...] And so for testing the ideas." ($CEO_{ManuCo}$) | "TX was the closest to [the former CEO] and they have a long history together in ManuCo. TY was close to Mike, so that was the relationship there. […] Because you need to see where you're going with a new CEO: either you have a personality match […] or there is no match and then you say, "Well, maybe it's better to separate."" ($S5_{ManuCo}$) |

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| ***TraviCo*** | "If it's something sensitive, he [the CEO] asks me and if he knows that I know this person good or if it's something for sensitive for the stakeholders, he asks me." ($S3_{TraviCo}$) | "[The CEO] was really looking forward for him to get support, not only in regards to the workload, but also having some sparring partners with me and T4, you know. And S3 at that time was already a sparring partner, but he wasn't part of the board and he wasn't on that level yet." ($T5_{TraviCo}$) | T4 recounts his job interview with the CEO and the HR person: "The HR person asked [...] what was important for me, and the reaction, as I remember, from the CEO was in that sense that was also his way of working." ($T4_{TraviCo}$) |
| ***SalesCo*** | "You also have to people who are well networked within the enterprise so that you have an early warning system in place. [...] If you don't have a few people through the ranks with whom you share a strong bond of trust you as a CEO won't know what's going on. [...] S3 does [have this function.] For me it's definitely S4, who is a great people person, and also S1, she knows what's going on within the company." ($CEO_{SalesCo}$) | "But actually, he discusses the ideas especially with S4 and myself […]." ($S3_{SalesCo}$) | "S5 and I were already colleagues at [another firm] and the constellation was the same. I knew him and I was the one who encouraged him to come on board at SalesCo. So if you've already worked together for many years, probably 10 years, it is relatively easy to let things take their course later." ($CEO_{SalesCo}$) |
| ***CleanCo*** | "S4 was 12 years working for CleanCo […] and she gave us a lot of [information] that [...] was very important for us. She had a lot of detailed information about business customers, about the past and that was good for us. We were able to learn from that; [...] Then we were able to find out why some things went wrong." ($CEO_{CleanCo}$) | *The CEO discussed his plans with B2:* "So the first meetings, […] were especially for B2, very difficult ones. [...] To analyze what is the actual situation in the company, what are the details that all the involved parties know, where we are and where we want to be." ($CEO_{CleanCo}$) | "S2 was the first person I was able to count on 100%, you know, when I have started, after a couple of months we had the common understanding and I knew [even if] I can not talk to him for two, three, four weeks, he will follow – he fully understood what's going on." ($CEO_{CleanCo}$) |

## Appendix 4: Representative Quotes and Evidence for the Constraints of TMT Change

| | *Relational constraints* | *Structural constraints* | *Personal constraints* |
|---|---|---|---|
| ***ComCo*** | *No indication of relational constraints.* | *No indication of structural constraints.* | "S3 would have, let's say, had the chance to get also the CFO job if he liked to do it, but he was always a very clear person saying I like my job, I'm a controlling person, I don't want to take more responsibility." ($T2_{ComCo}$) |
| ***ServiCo*** | *No indication of relational constraints.* | *No indication of structural constraints.* | *The CEO initially created two positions in the TMT for T8 and T9 but due to personal reasons the two people could only join several months later.* |
| ***TechCo*** | "[With T7], I already planned end last year, beginning this year, to make some changes and I learned, I gave almost up that this is not possible because […] the boss said oh no, no, everything is okay and also T7 and other people, oh no they are working well and great. ($CEO_{TechCo}$) | This was a little bit of a frustration point, […] because we agreed already last year that […] T6 would take over the lead of the key account. And then my boss said, "No, you have to do both in the next few months, minimum, and then we make a decision if we split it or not." ($CEO_{TechCo}$) | *No indication of personal constraints.* |
| ***MechCo*** | *No indication of relational constraints.* | "No, it is forbidden by the Group [to have a separate sales head in TMT]. I have to accumulate two functions, CEO and sales, this is to reduce personnel costs." ($CEO_{MechCo}$) | *No indication of personal constraints.* |
| ***ManuCo*** | *No indication of relational constraints.* | *No indication of structural constraints.* | And again, it was difficult to find successors, obviously, because the people that were selected were not the ones that will stay in this position for a while. They are all close to retirement age as well. So you have T6, you have T4. [...] And as such, you end up with more of maybe an interim solution, which again will bring a lot of changes in the company. ($S5_{ManuCo}$) |
| ***TraviCo*** | *No indication of relational constraints.* | *No indication of structural constraints.* | *The CEO recruited two TMT members T4 and T5 within the first three months, but due to personal reasons the two people could only join several months later. So the CEO complained:* "I don't have enough managerial staff at the moment. So I have a good amount of people reporting directly to me which keeps me quite busy which is day-to-day things. […] There are not so many people here to talk to. I mean certain topics like reducing staff is not a topic you want to discuss with everybody in a corridor." |

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| ***SalesCo*** | "T1 has an issue on leadership, I think, and organizing himself and his department. [...] And if the CEO could, he would [change him], but he can't. [...] I mean, on my level [...] everybody knows that, or thinks. Some of the reactions of the CEO also tell us that the first thing he would do is [to make this change]." ($S1_{SalesCo}$) | *No indication of structural constraints.* | "I said, let's talk openly about that, [I don't want to] have the position. And – but he (the CEO) said, okay, but I want to have you more closely to myself that he can work still closely together with me." ($S4_{SalesCo}$) |
| ***CleanCo*** | The CEO describes how he had difficulties sacking T1 due to his strong personal relationships within the company: "And that was, for me, at that time, very hard [to sack T1]. […] T1 was a key person, you have to know. His reputation in the company is very good because he's got a nice character." | *No indication of structural constraints.* | *No indication of structural constraints.* |

## Appendix 5: Immediate Collaborators Concerned with the Requirements and Constraints of Establishing the Strategic Apparatus

| | ComsCo | ServiCo | TechCo | MechCo | ManuCo | TraviCo | SalesCo | CleanCo |
|---|---|---|---|---|---|---|---|---|
| ***Strategic orientation requirements*** | | | | | | | | |
| - Competence | T2 | T6, T8 | - | - | T3, T4 | T4, T5 | T6, T7, S5 | S2, S5 |
| - Commitment | T2, S2, S3 | T8, T3 | T4 | - | T3, T4 | T4, T5, S3 | T6, T7, S5 | S2 |
| - Special task force | T2, S2 | - | - | S2 | S3 | - | S3, S4, S2, S1 | S3 |
| ***Personal integration requirements*** | | | | | | | | |
| - Access to critical information | S3, S2 | - | - | - | S2, S3, S4 | T3, S3 | S1, S3, S4 | T2, S4 |
| - Idea testing | B2, T2, S2, S3 | T6, T5, T8 | T6, T5, T10 | T2, T5 | B2, B3, B4, S2, S4 | T3, S3, B2, B3 | S3, S4, B2 | T2, B2 |
| - Interpersonal fit | T2, S2, S3 | T5, T4, T8 | T6, T5, T10 | T2, T5, T1, S2 | S1 | T4, T5, S3 | S5, S3, S4, S1, S2 | S2 |
| ***Constraints of TMT change*** | | | | | | | | |
| - Relational | - | - | T7 | - | - | - | T1 | T1 |
| - Structural | - | - | T6 | S2 | - | - | - | - |
| - Personal | S2, S3 | T8 | - | - | T1, T6 | T4, T5 | T3, T4 | - |

*Note: B indicates a member of the board of directors; T indicates a member of the TMT; and S indicates a member of the staff or lower-level managers.*

## Appendix 6: Representative Quotes and Evidence for Increasing Tensions

| | *Role conflict* | *Role ambiguity* |
|---|---|---|
| ***ComCo*** | "To be honest, I'm in a really tricky situation [...]. On the one hand, I really like to work with the CEO because I think, in his heart, he's a good guy. He's polite. He has the same values as I do. The topics are really interesting, really dynamic. On the other hand, I'm always in the background. [...] I'm not a member of the Group Executive Board. I don't have a salary [as they do]." ($S2_{ComCo}$) | "It's a little bit strange because we had ten around this table and four are executive members. And everybody talks in the same mode. So, again, I think it's a little bit difficult to handle it like that over a long time. In the beginning, last year it was okay because it was a transformation phase." ($S3_{ComCo}$) |
| ***ServiCo*** | "I openly shared that with [the CEO] [...] that I feel it would be the benefit to the firm [that] he should take the decisions if maybe other people's view [i.e., also the views of those TMT members that are not part of the strategic apparatus] would be more factored in, other than the usual suspects all the time; because it's not a very diverse group. […] they see the world [...] from their very special focus and, I think if he sometimes had more balanced, or different views, it would help the quality of the decision basically before we take a decision. [...] I have really more than enough to do, it's not that I'm kind of trying to be more involved in those discussions, but I think it would enhance the quality." ($T3_{ServiCo}$) | *No indication of increasing tensions due to role ambiguity.* |
| ***TechCo*** | T10 complains about T7 not engaging in TMT work: "T7 has really a totally different standing in our board. He's not that much involved in all the [firm-level] topics […]. He's only focused on his sales function, and that's all." ($T10_{TechCo}$) | *No indication of increasing tensions due to role ambiguity.* |
| ***MechCo*** | "I have a little bit strange position in the company. Everyone feels as I am a part [if the TMT], but I am not, so I think for me now it's okay like this. I can manage it and I like it. Maybe if I wouldn't have such a good relationship to him (the CEO), I would have some problems probably. I would say why must I come every Monday to the [TMT] meetings and I'm not a member of [it], you can do it yourself, my part, or things like that. One could be also critical about this. So let's see, I don't know what's going on in his mind about future strategies. I think I have many things to learn so for me now it's okay like that." ($S2_{MechCo}$) | "Of course the situation of me […] sometimes brings some – I wouldn't say that these are problems [...]. So maybe in some months or some years I will be forced to say to the CEO, you have to make a decision or to take a decision because my situation, it's not easy like this, I'm in the middle and I'm in the no man's land." ($S2_{MechCo}$) |
| ***ManuCo*** | *No indication of increasing tensions due to role conflict.* | *No indication of increasing tensions due to role ambiguity.* |
| ***TraviCo*** | "I said, 'Look, we are not talking. We do not have management meetings. We do not – over the phone, nothing. You know, I am here. I want to exchange ideas. You need to exchange ideas. With whom are you exchanging ideas?'" ($T1_{TraviCo}$) | *No indication of increasing tensions due to role ambiguity.* |
| ***SalesCo*** | After all, you hear that a lot "He's not part of…" And they (S3 and S4) give others the constant message "I'm actually better than you. I should do your job." ($CEO_{SalesCo}$) | "This is like a cloud, nobody really knows their (i.e. S3 and S4) role." ($T7_{SalesCo}$) |
| ***CleanCo*** | "S5 said "I'd want you to handle the orders if you did. I want you to handle ordering, material orders and the materials management. […]" So I said "You know what, I think I'm old and independent enough to know what I want. […] but as far as I know it's the CEO who assigns the job duties, not you."" ($S4_{CleanCo}$) | "In the beginning everything was so nice and then he (S5) wanted to play the role of boss, i.e. "former department S head stand-in." But the job didn't even exist anymore. Somehow things escalated after that because this was really the job he wanted." ($S2_{CleanCo}$) |

## Appendix 7: Representative Quotes and Evidence for Decreasing Requirements

| | *Special task force* | *Access to critical information* | *Idea testing* |
|---|---|---|---|
| ***ComCo*** | *S4 who served as special task force indicated in informal interviews that the number of personal meetings with the CEO discussing ad hoc tasks decreased in the second year* | "But then he (the CEO) learned and he got everything. But sometimes, again, I'd say, "Oh, we have to talk," and I go up and I'd say, "Okay, I see it this way and that way." But it's not so often at the moment." ($S3_{ComCo}$) | *The CEO described that after the first year he had fewer indepth discussions with B2, i.e.* "a profound discussion or a profound reflection where you maybe don't have problem X to be solved, problem Y to be solved, but maybe in a broader sense". |
| ***ServiCo*** | *Not relevant here as there was no particular requirement for a special task force in the beginning (see Table 3).* | *Not relevant here as there was no particular requirement for access to critical information in the beginning (see Table 3).* | *No indication of decrease in the requirement for idea testing.* |
| ***TechCo*** | *Not relevant here as there was no particular requirement for a special task force in the beginning (see Table 3).* | *Not relevant here as there was no particular requirement for access to critical information in the beginning (see Table 3).* | *No indication of decrease in the requirement for idea testing.* |
| ***MechCo*** | *No indication of decrease in the requirement for a special task force.* | *Not relevant here as there was no particular requirement for access to critical information in the beginning (see Table 3).* | *Not relevant here as there was no particular requirement for idea testing in the beginning (see Table 3).* |
| ***ManuCo*** | *A special task force (i.e., S3 and his department) was set up to lead a transformation project that included a whole package of many different initiatives. After two years the project was successfully completed.* | "[The CEO] now has seen enough. At the beginning, [...] he told me that once, "I'm first here and see, and then I see what I can change and how fast I can change." And I think now he knows pretty well where he wants to go and how he wants to do it." ($S6_{ManuCo}$) | "Then to help me, and also to make sure they understand what I was doing but I took it as a help, they implemented what they called a Board strategy delegation, with three Board Directors, that I would meet every three weeks. [...] and I was updating them on what I was doing, and they were giving me their feedback. And then in November they told me, we believe there's no longer any need, and by the way I had the feedback I needed and it was okay also." ($CEO_{ManuCo}$) |
| ***TraviCo*** | *Not relevant here as there was no particular requirement for a special task force in the beginning (see Table 3).* | *T3 was important for access to information but no longer after 6-8 months.*<br>"So when I started, he [T3] was pretty much to introduce me to the things I need to do. […] [H]e is now not that important anymore." ($CEO_{TraviCo}$) | *T4 explains that the requirement for engaging board directors B2 and B3 for discussing new ideas decreased in the second year as* "there were no big decisions to be taken and the budget was through." |

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|---|---|---|---|
| ***SalesCo*** | "And that's where we have certainly had the biggest gap for a year – in sales. [...] that's where you did of course have to build a parallel organization to bridge the gap you have there. [...] In fact, the true difficulty is that you do have to assign certain responsibilities, competencies to people who are working on the staff level, the project level and now [T7] is coming on board and […] he now has to take the lead, in those issues, those are his responsibilities. [...] it means that they have to take a hierarchical step back when it comes to these issues." ($CEO_{SalesCo}$) | "He [the CEO] becomes more safe in all topics because he knows everything. He's very deep into the details." ($S3_{SalesCo}$) | *The CEO describes that* "[o]ver the the process of the strategy development, everything happened in very close cooperation with B2, who was always involved. […]. So we also conducted monthly interchanges on where we are, how we manage, what we've done, etc.", *but as the strategy process was completed the indepth discussions with him were no longer necessary.* |
| ***CleanCo*** | *No indication of decrease in the requirement for a special task force.* | *The CEO describes how he needed S4 to provide him with important information but as he has learned all about the organization he has no use for him any longer:* "S4 helped me a lot at the beginning [by providing information]. [...] But I recognized I can only work with him until it comes to a certain stage or level." ($CEO_{CleanCo}$) | *No indication of decrease in the requirement for idea testing.* |

# 4 The Role of Substantive Actions in Sensegiving During Strategic Change

Shenghui Ma


## Abstract

This study examines top managers' sensegiving in strategic change. It focuses on how top managers' substantive actions of implementing an intended change contribute to the adjustment of interpretive schemes in the organization. Drawing on a longitudinal comparative case study of three firms, we find that by creating contexts and resources for sensegiving, substantive actions can contribute to scheme change in both direct and indirect ways. In a direct way, top managers use substantive actions for sense breaking, sense specification, and sense anchoring. In an indirect way, substantive actions influence scheme change through the substantive outcomes they produce. Substantive outcomes not only reinforce the new schemes but also lead to their adjustments. In general, our findings show a pattern of sensegiving as scheme change while taking actions, which is in contrast to the typical pattern of scheme change before taking actions described in the literature. Theoretical implications of our findings are discussed.



### Keywords

Sensegiving; strategic change; substantive actions; implementation; CEO; top managers

## 4.1 Introduction

From a cognitive perspective, an organization is constituted by its interpretive system (Bartunek, 1984; Daft and Weick, 1984). A fundamental change of the organization requires a shift in organizational members' interpretive schemes or mental models that individuals use to interpret and make sense of the situation (Bartunek, 1984; Cornelissen and Werner, 2014; Daft and Weick, 1984; Gioia and Chittipeddi, 1991; Starbuck and Milliken, 1988; Weick, 1995). Therefore, a critical role of top managers during strategic change is to make this cognitive shift, often through a process of sensegiving that attempts to "influence the sensemaking and meaning construction of others toward a preferred redefinition of organizational reality" (Gioia and Chittipeddi, 1991: 442). Since the seminal work of Gioia and Chittipeddi (1991), scholars have paid significant attention to the sensegiving of top managers as an important aspect of strategic change. These studies provide a rich understanding of the symbolic dimension of strategic change, showing that in order to create meaning for their intended change, top managers mobilize symbols, metaphors, and narratives, challenging existing interpretive schemes and establishing new ones (Bartunek, Krim, Necochea, and Humphries, 1999; Corley and Gioia, 2004; Gioia and Chittipeddi, 1991; Gioia, Thomas, Clark, and Chittipeddi, 1994; Maitlis and Christianson, 2014; Mantere, Schildt, and Sillince, 2012; Sonenshein, 2010).

Creating meaning for an intended change requires top managers to tie closely together interpretive schemes and actions (Weick 1995: 135). Without the change of organizational members' interpretive schemes, change implementation will be difficult because existing schemes can constrain organizational members in taking substantive actions to pursue the intended change (Bartunek, 1984); this is a situation in which confusion, uncertainty, frustration, and resistance often rise. The literature generally describes a pattern in which top managers first strive to adjust the schemes of organizational members and then take substantive actions to implement the change (Gioia and Chittipeddi, 1991; Gioia *et al.*, 1994). In this case, actions of implementation become meaningful to organizational members in light of the new schemes. However, in the currently fast-moving business world, organizations sometimes have to implement change quickly (Amis, Slack, and Hinings, 2004), and there is a lack of time to change schemes before taking action. This implies that under the time pressure of making strategic change, the pattern of scheme change preceding taking action is unlikely to appear; in contrast, scheme change and taking action may happen simultaneously and interact with each other in the implementation process (Bartunek, 1984). Thus far, we have little understanding of how substantive actions may shape scheme change in sensegiving, largely because most studies focus on the typical pattern described above. Although some studies notice the importance of symbolic actions in the process of initiating an intended change (Gioia and Chittipeddi, 1991; Gioia *et al.*, 1994), there is little attention paid to substantive actions in change implementation and the particular mechanisms of how they contribute to scheme change.

The purpose of this paper, therefore, is to systematically investigate the role of substantive actions in top managers' sensegiving during strategic change. For the purpose of this research, substantive action is defined as any significant decision or activity that has a direct impact on the modification of existing structures, processes, or practices (Thomas, Clark, and Gioia, 1993), which is in contrast to those actions that have only symbolic effect. In this paper, we draw on a longitudinal qualitative study of strategic change in three companies. In all three cases, substantive actions were taken from the beginning of the strategic change, in contrast to the cases examined in many existing studies in which the change often began with a long period of initiation without taking substantive actions. The cases examined here serve as an ideal context to explore the role of substantive actions. Through this in-depth case study, we find that by creating contexts and resources for sensegiving, substantive actions can contribute to scheme change in both direct and indirect ways. In a direct way, top managers use substantive actions for sense breaking, sense specification, and sense anchoring. In an indirect way, substantive actions influence scheme change through the substantive outcomes they produce. Substantive outcomes not only reinforce the new schemes but also lead to their adjustments.

Our findings contribute to the literature by showing the mechanisms of how actions contribute to scheme change in top managers' sensegiving. Existing studies typically focus on scheme change before taking actions, through mobilizing symbols, metaphors, and narratives (Bartunek *et al.*, 1999; Corley and Gioia, 2004; Gioia and Chittipeddi, 1991; Gioia *et al.*, 1994; Maitlis and Christianson, 2014; Mantere *et al.*, 2012; Sonenshein, 2010). However, the role of actions in sensegiving has been largely neglected. Our findings show that by taking substantive actions, top managers create new context and resources for their sensegiving. We identify the mechanisms of how substantive actions lead to scheme change in both direct and indirect ways. In general, our findings show a pattern of sensegiving as scheme change while taking actions, which is in contrast to the typical pattern of scheme change before taking actions described in the literature. Our findings suggest that the two aspects of sensegiving, scheme change and action taking, are interwoven during strategic change, even though in a particular phase, one might be more prominent than the other. In summary, our study contributes to a fuller understanding of top managers' sensegiving by showing additional ways in which schemes and actions can grow closer during strategic change.

The rest of the paper is structured as follows: in the next section, we review the literature on sensegiving in the context of strategic change, noting a gap in the current literature. Following that, we describe the methodology of our data collection and analysis. Building on our data analysis, we present the findings on how substantive actions contribute to scheme change. Then, we discuss the theoretical implications of our findings and promising directions for future research.

## 4.2 Theoretical Background: Sensegiving in Strategic Change

Strategic change involves a process of realigning the organization to its environment, including major changes in strategic direction and/or changes to key organizational structures and processes (Pettigrew, 1992; Rajagopalan and Spreitzer, 1997; Van de ven, 1992; Van de Ven and Poole, 1995). Because it often adjusts the way in which the organization operates and leads to a shift in organizational goals and priorities, strategic change is typically accompanied by high levels of uncertainty and ambiguity. In order to gain acceptance for and accelerate the desired change, top managers must articulate the need for and the nature of the desired change, which often involves adjusting the interpretive schemes of organizational members (Gioia and Chittipeddi, 1991). From a cognitive perspective, without changing organizational members' interpretive schemes, strategic change can be difficult to achieve (Bartunek, 1984; Daft and Weick, 1984; Gioia and Chittipeddi, 1991).

Scholars have investigated various sensegiving strategies through which top managers intend to challenge existing interpretive schemes and establish new ones with the goal of creating meaning for their desired change. By investigating the early stage of launching a change effort in a university, Gioia and Chittipeddi (1991) find that "ambiguity-by-design" severed as an effective tactic used by the new president to challenge existing interpretive schemes. The announcement of a strategic change effort, the use of unfamiliar terms such as "strategic planning," and the imposition of an ambiguous vision infused the organization with a high level of ambiguity, uncertainty, and anxiety. The authors show that this ambiguity-by-design created a meaning void by calling into question the existing schemes and allowed the president to fill the meaning void by suggesting new schemes in line with the desired change. In two related studies in the same research context, Gioia and colleagues identify the importance of symbolic language, such as visionary image and metaphors, in introducing new interpretive schemes (Gioia and Thomas, 1996; Gioia *et al.*, 1994). When making sense of the required change, organizational members need to draw on their previous experience and understanding. Symbols and metaphors are found particularly useful in disseminating new senses because "their inherent ambiguity provides a bridge between the familiar and the strange" (Gioia *et al.*, 1994: 365). When mobilized to articulate the nature of the desired change, symbols and metaphors can conceal its threatening aspects while revealing its difference from the past (Gioia *et al.*, 1994). Given that strategic change is often entangled with a change in identity, Gioia and Thomas (1996) suggest that designing a desired future image may help facilitate the process of strategic change.

Taking a narrative perspective, several studies focus on how top managers construct particular narratives for meaning construction in strategic change (Dunford and Jones, 2000; Sonenshein, 2010). Dunford and Jones (2000) argue that a narrative, by configuring events in a temporal manner into a story, gives meaning to events by linking them through theatrical threads and anchoring the role of actors in enacting them and influencing final outcomes. In each of the three organizations studied, Dunford and Jones (2000) find that with respectively inherent schemes, top managers constructed narratives of the change environment and the change initiatives. These narratives often drew on the broader discourse in the environment, i.e., de-regulation in this study. While Dunford and Jones (2000) emphasize the importance of creating a coherent discourse through narratives during strategic change, Sonenshein (2010) finds that top managers in the firm he investigated constructed two narratives of the change with conflicting meanings: one progressive narrative framing the change as significantly different from the past and one stability narrative framing the change as insignificantly different. The author explains that, by constructing conflicting narratives, "managers hedge their bets by being strategically ambiguous to balance the need to promote change with minimizing uncertainty" (Sonenshein, 2010: 503).

Rather than focusing on the symbolic and discursive resources for sensegiving, several studies identify how managers craft and communicate their messages to enhance the chance that organizational members will accept and adopt the given sense (Bartunek *et al.*, 1999; Rouleau and Balogun, 2011). Bartunek *et al.* (1999) identify that in order to facilitate strategic change in a governmental department, the CEO purposefully framed messages appealing to the values and norms of organizational members. Rouleau and Balogun (2011) emphasize the role of discursive competence in achieving successful sensegiving. They find that for middle managers, the success of their sensegiving depends on their ability to draw on the local context and knowledge to set the scene and to perform the conversion. Although Rouleau and Balogun (2011) focus on the sensegiving of middle managers, we expect that discursive competence should also be important for top managers.

Some recent studies focus on the particular mechanisms of sensegiving in strategic change: sensebreaking, sense specification, and sensehiding (Mantere *et al.*, 2012; Monin, Noorderhaven, Vaara, and Kroon, 2013). Extending the Pratt's (2000) notion of sensebreaking in individual identity, Mantere *et al.* (2012) and Monin *et al.* (2013) use the term "sensebreaking" to mean "the managerial act of destroying the organizational meanings underlying an established interpretive scheme" (Mantere *et al.*, 2012: 174). By studying a governmental organization that was planned to merge with parts of its parent organization, Mantere *et al.* (2012) find that in the governmental organization he studied top managers' sensebreaking had a significant effect on organizational members: when the planned merger was cancelled before implementation, top managers were not able to restore previous interpretive schemes that were discredited by the sensebreaking effort. By studying how the norm of justice evolves during a post-merger integration, Monin *et al.* (2013) find that sensebreaking involves questioning existing schemes not only by mobilizing discourses but also by enacting rule-breaking decisions and actions. In this study, the authors find that top managers were also engaged in sense specification and sensehiding. Sense specification refers to giving specific sense to the new scheme, a new norm of justice in this study, through different forms "ranging from more abstract coining of principles to exemplary decisions and actions, symbolization, and quantification" (Monin *et al.*, 2013: 262). Sensehiding refers to "silencing alternative discourses or marginalizing particular voices," often through deliberately selecting some vocabularies over others in communication.

In summary, existing studies identify the importance of top managers' sensegiving in facilitating strategic change and generate valuable insights on how it is conducted in organizations. However, the role of substantive actions in sensegiving as contributing to scheme change has largely been neglected. By substantive actions, we refer to any significant decision or activity that implements the desired change with a substantive impact on the modification of existing structures, processes, or practices (Thomas *et al.*, 1993). Existing studies typically describe a picture in which top managers first strive to change interpretive schemes before taking substantive actions, a process often referred to as the stage of initiating or preparing the change (Gioia and Chittipeddi, 1991; Gioia and Thomas, 1996; Gioia *et al.*, 1994; Mantere *et al.*, 2012). Although these studies sometimes touch on how actions influence sensegiving, the notion of actions is often used to broadly refer to symbolic decisions or activities (Gioia and Chittipeddi, 1991; Gioia *et al.*, 1994), in contrast to substatnive actions that have direct effect on implementating the chagne. The reason of negelcting the role of substantive actions may be due to fact that most of these studies focus on the initiation stateg of strategic change, duirng which substantive actions often do not appear. While some recent studies look at top managers' sensegiving when implementing change, most of them still focus on the discursive resources of image, metaphors, and narratives and the discursive competence of mobilizing them (Dunford and Jones, 2000; Monin *et al.*, 2013; Sonenshein, 2010). As a result, the particular role of actions in contributing to scheme change has not yet been carefully and systematically analyzed.

The lack of understanding of how substantive actions contribute to sensegiving in strategic change is inappropriate for at least three reasons. First, changing schemes before taking action is sometimes not possible when the organization is under pressure to implement the change, especially in business organizations that face a fast-changing environment (Amis *et al.*, 2004). In this context, top managers may have to start taking substantive actions before they have time to establish new schemes, therefore action taking and scheme change will likely interact with each other during change implementation. Second, several studies suggest that in the stage of change implementation, the new schemes that were previously established in the stage of change initiation can break down, as organizational members see top managers' actions and their outcomes as inconsistent with these new schemes (Denis, Langley, and Cazale, 1996). Maintaining a coherent discourse around the flux of actions during change implementation can be challenging (Dunford and Jones, 2000). Therefore, it seems necessary to examine how top managers take into account various actions in sensegiving in relation to new schemes they want to establish or maintain during change implementation. Third, the study by Monin *et al.* (2013) offers some indications of the face that substantive actions may play particular roles in sensegiving. Even though the authors do not focus on the role of substantive actions, their data shows that substantive actions are particularly useful in creating sensegiving opportunities because they "broke previously established rules"; for example, integrating two sales offices in the context of post-merger integration destroys the existing schemes of how to operate sales (Monin *et al.*, 2013: 277). However, existing studies have not paid enough attention to the particular roles of substantive actions in sensegiving, but rather typically understand their symbolic role as that of symbolic language (Gioia *et al.*, 1994).

To address the gaps in the existing literature, our study sets out to systematically examine the role of substantive actions in top managers' sensegiving during strategic change. For this purpose, we draw on three firms that went through strategic change recently.

## 4.3 Methods

This research is explorative in nature and is intended more closely for theory building than for theory testing (Eisenhardt, 1989). A longitudinal multiple-case study is adopted for three reasons. First, in-depth case studies seem useful for exploring the key concepts and mechanisms of how substantive actions contribute to sensegiving in strategic change that are not well documented in the literature (Eisenhardt, 1989; Patton, 2002; Strauss and Corbin, 1998; Yin, 1994). Second, in order to understand how new schemes are established or modified over time, a longitudinal approach is necessary in order to be able to capture the temporal patterns and to account for the precedence of events (Langley, 1999; Van de ven, 1992). This longitudinal approach is also consistent with previous research on sensegiving activities (Gioia and Chittipeddi, 1991; Gioia and Thomas, 1996; Maitlis and Lawrence, 2007). Third, multiple cases allow for a replication logic that can generate a rich theoretical framework and simultaneously improve the generalizability of the findings (Eisenhardt and Graebner, 2007; Yin, 1994). The comparative design is rare in current sensegiving studies and can allow us to identify and contrast different sensegiving patterns (Maitlis and Lawrence, 2007).

Because this research is aimed at theory building, three firms were selected by theoretical sampling (Eisenhardt, 1989; Eisenhardt and Graebner, 2007; Yin, 1994). The literature suggests that an ideal context for studying strategic change and sensegiving is in the context of new CEOs taking charge (Denis *et al.*, 1996; Gioia and Chittipeddi, 1991; Gioia *et al.*, 1994), therefore we looked for firms that appointed a new CEO recently. We started our study in the firm AgriCo, as we got to know that the new CEO was under pressure to take immediate actions and was not left much time to accomplish any change to the existing schemes first. In such a situation AgriCo served as an extreme case in which substantive actions and their influence on sensegiving could be observed (Yin, 1994). In contrast to the typical pattern described in the literature (Gioia and Chittipeddi, 1991; Gioia *et al.*, 1994), in this case, we found that top managers tried to establish new schemes while implementing change rather than before implementing change. In order to explain the mechanisms of how substantive actions contribute to sensegiving, as observed in the case of AgriCo, we followed the logic of theoretical sampling to select other cases for comparison. As suggested by Eisenhardt (1989: 545), “the goal of theoretical sampling is to choose cases which are likely to replicate or extend the emergent theory.” Therefore, we followed eight other firms that also had appointed a new CEO and attempted to identify cases in which similar patterns of strategic change and sensegiving take place as in AgriCo. Of these, two firms were selected for comparison because in each, as similarly in AgriCo, the new CEO started implementing a strategic change shortly after taking office and the effort of sensegiving was significant during the change implementation. As a result, our final sample included three firms. Table 6 provides an overview of the characteristics of these firms. In contrast to a single case study, comparing different cases is likely to generate more comprehensive insights into how actions affect the ways in which sensegiving is conducted and therefore to enrich our theorization (Eisenhardt and Graebner, 2007). Furthermore, as shown in Table 6, the three firms vary in terms of industry, status as a whole corporation or subsidiary, scope of operation, age, annual revenue, and number of employees. The replication of cases with these variations is expected to improve the robustness and generalizability of our findings (Eisenhardt and Graebner, 2007; Yin, 1994).

**Table 6: Characteristics of three cases**

| | Industry | Status of the firm | Scope of operation | Age (years) | Revenue (USD, million) | Number of employees |
|---|---|---|---|---|---|---|
| **AgriCo** | Agriculture | Corporate | Multinational | 10-50 | >10,000 | 10,000-100,000 |
| **ManuCo** | Manufacturing | Corporate | Multinational | 50-100 | >10,000 | 10,000-100,000 |
| **ServiCo** | Service | Subsidiary | National | 50-100 | 100-1,000 | 1000-10,000 |

Note: The age, revenue, and number of employees are indicated in range to preserve anonymity of the firms.

### 4.3.1 Data Collection

In each case, we began our data collection following the arrival of the new CEO and tracked the development of the strategic change process. The most intense period of data collection covers the first 24 months of the strategic change process, which is followed by collecting public data and informal interviews to track further developments. As summarized in Table 7, our data have several sources: 1) interviews with the CEO, top managers, and other informants, 2) internal and external documents, and 3) informal interviews, observations, and office tours. Interviews and documents constituted our main data sources, as in many other sensegiving studies (Dunford and Jones, 2000; Monin *et al.*, 2013; Sonenshein, 2010). Although an ideal approach of collecting rich data about sensegiving could be ethnographic study (Gioia and Chittipeddi, 1991; Gioia *et al.*, 1994; Maitlis and Lawrence, 2007), it would be difficult in this research as the offices and activities of our case companies are largely geographically distributed. However, we tried to mitigate this by collecting data from various sources and the triangulation of sources can enhance the accuracy and richness of the information we collected and, therefore, of the theory developed (Eisenhardt and Graebner, 2007). Because AgriCo served as the core case of our study and the two other cases were selected for the purpose of comparison, the data collected from them was less rich than that from AgriCo. However, the data collected from them was comprehensive enough to allow us to compare them with AgriCo.

**Table 7: Summary of data sources**

| | **Firm** | | |
|---|---|---|---|
| **Data Source** | **AgriCo** | **ManuCo** | **ServiCo** |
| ***Interviews*** | | | |
| CEO | 9 | 5 | 7 |
| Other top managers | 11 | 2 | 6 |
| Middle managers | 25 | 10 | 1 |
| Total (76) | 45 | 17 | 14 |
| ***Documents*** *(pages)* | | | |
| Internal minutes & reports | 495 | 263 | 15 |
| Public press | 268 | 72 | 36 |
| Total | 763 | 335 | 51 |
| ***Other sources*** | | | |
| Informal interviews | 22 | 10 | 15 |
| Meetings observed | 4 | 0 | 0 |
| Office tours | 2 | 1 | 1 |

Interviews constitute the first source of our data. In total, we have collected 76 interviews with the CEO and other organizational members in the three firms. Interviews are particularly useful in terms of identifying key actions of the desired change, the sensegiving activities of top managers, reactions of lower-level managers, and key events and developments in the change process. More importantly, interviews allow us to examine the intentions of top managers in sensegiving and the understanding of lower-level managers. Because in each case, the change was initiated and driven mainly by the new CEO, we focus particularly on the CEO's sensegiving activities. In the first interviews, we tried to retrospectively capture the background of the strategic change and what the new CEO had done to date. Following that, our interviews with the CEOs generally took place on a regular basis to ensure that we could closely track the strategic change process (Van de ven, 1992). On average, seven interviews were conducted with each CEO during the data collection period. In addition to interviewing the CEOs, we also interviewed other organizational members to gain a comprehensive picture of the development in each case and to mitigate the bias with interviewing the CEO as a single informant (Eisenhardt and Graebner, 2007; Yin, 1994). Other top managers were selected as informants, especially those who were involved in driving the change process and engaged in sensegiving to facilitate the change. In addition, we interviewed middle managers who were directly influenced by the strategic change to track their reactions to top managers' actions and sensegiving. Although our focus was on the sensegiving of top managers, it is important to observe how the reactions of middle managers influence the further sensegiving of top managers (Gioia and Chittipeddi, 1991).

Given the explorative nature of this research, semi-structured, open-ended interviews were conducted with a set of main themes about the background of the strategic change, important decisions and major actions related to the desired change, the activities that top managers executed in facilitating the change, lower managers' understanding and reactions to the change, and the development of the change process over time. In interviews with the CEO and top managers, we particularly focused on their substantive actions of implementing the change, their effort to create meaning for the change at stake, and the problems they encountered and how they dealt with them. In interviews with lower-level managers, we paid particular attention to their understanding and reactions during the change process. Several techniques were used to mitigate the informant bias in interviews. First, our interviews followed the real-time development of the organization and thus minimized the recall bias (Leonard-Barton, 1990). Second, as we interviewed the CEOs several times and interviewed many different members of each firm, we had the opportunity to crosscheck uncertain points. Third, in order to limit information bias, we began each interview by identifying the timeline of actions, issues, and events. This subsequently allowed us to ask questions following the timeline with the identified facts (Eisenhardt, 1989; Huber, 1985; Miller, Cardinal, and Glick, 1997). The interviews lasted approximately 60-90 minutes each and were audiotaped. The taped interviews were sent to a professional firm for transcription and then analyzed to guide the follow-up interviews. In total, the 76 interviews we conducted resulted in a transcript of more than 1,520 single-spaced pages[6].

The second data source includes archival data collected internally from the firm and externally from public sources. Internal documents included executive meeting agendas and minutes, CEOs' and other top managers' speeches in important meetings, internal reports, and internal communication. These documents provide useful insights into how the change and related actions were framed and communicated in the organization because for reasons of clarity, top managers often have to rely on texts or formal channels to explain strategies to various stakeholders (Paroutis, Mckeown, and Collinson, 2013). In addition, these documents were particularly helpful to establish an accurate timeline of key changes, decisions, events, and facts during the change process. They were also used to triangulate with the information obtained from interviews. External archives include annual reports, industry analyst reports, the firm's news releases, the CEO's interviews given to the media, and any media news related to the changes during our data collection period. The external documents provided us with additional information and perspectives regarding particular changes and developments in the organization and how they were communicated to external stakeholders, which were helpful for prompting questions in the interviews.

In addition to formal interviews and documents, whenever possible, we also conducted informal interviews, meeting observations, and office tours in each firm. We conducted many informal interviews during and after the intense period of data collection. The informal interviews were often short, varying from five to 30 minutes, taking place in corridors, in cars, at social events, or via telephone calls. They were useful to verify the information from formal interviews or to gain more information regarding certain issues. In AgriCo, we joined four major management meetings that involved managers at different levels and directly focused on the strategic change issues. In addition, during data collection, we conducted office tours in each firm in order to understand the atmosphere of the workplace, such as the setup of the office rooms and departments. The data collected from these additional sources have proven helpful in complementing our main data sources in analysis.

[6] All interviews in AgriCo were conducted and analyzed in Chinese; the quote was translated into English by the author when presented in the paper. All the rest of the interviews were conducted in English.

### 4.3.2 Data Analysis

We adopted an inductive approach to analyzing the data (Strauss and Corbin, 1998). In the first stage, we composed a rich description of each case by synthesizing the information on the firm from multiple sources (Eisenhardt, 1989). These case descriptions were 25-30 single-spaced pages in length each. Each began with the background on the strategic change and followed a chronological order describing key events, actions and decisions, and developments. It also identified the names of individuals, departments, and other facts that seemed necessary for further analysis. As guided by our research question, when composing the case description, we paid particular attention to 1) each action or decision that had a significant impact on how the firm operated, 2) the ways of communicating the change in general and each action in particular, 3) the reactions to the change and each major action, and 4) any breakdowns and their resolutions. As a result, we were able to create a robust timeline of the development of the strategic change process. Once the case descriptions were created, as guided by the research question, we began looking for the major actions and schemes in each case. Table 8 provides an overview of the main actions and schemes identified in each case. In all of the three cases, the strategic change was announced with concrete initiatives or targets and actions were taken to implement the change immediately or shortly after its announcement; top managers took account of these actions to a large extent in their sensegiving.

In the second stage, we coded the original data in order to identify the role of substantive actions in top managers' sensegiving: how do they contribute to the change in interpretative schemes? NVivo for Mac was mobilized for open coding. On the basis of the coding, we created an excel sheet of all the coded entries to look for similarities between codes within and across cases. The codes were then grouped into interpretive clusters according to their similarities and differences: where similar, codes were clustered together under a common interpretive umbrella, which formed the first-order categories (Miles and Huberman, 1994). By identifying the links between these categories, we generated second-order themes in which the former can be seen as the dimensions of the latter (Gioia, Price, Hamilton, and Thomas, 2010). For example, one of themes generated from this process is sense anchoring, which includes two categories: the publicity of substantive actions creating a sense of irreversibility and sequences of actions creating confidence in new schemes. In this process, we followed a replication logic to check all the cases for the occurrence of each theme and category (Eisenhardt and Graebner, 2007). Figure 4 provides an overview of the theoretical categories and themes generated from this process. In addition, Appendix provides exemplary quotes and evidence for each mechanism over the three cases.

In the last stage of the analysis, we developed a model by linking different theoretical themes to explain the patterns we observed. This involved a process of iteration between data and theory to make sure the process model can explain the pattern in each single case. We will now turn to presenting our findings. We begin with the description of our empirically generated model, which will serve as a structure for elaborating on the details of our findings.

**Table 8: Strategic change and related actions and schemes in the three cases**

| | AgriCo | ManuCo | ServiCo |
|---|---|---|---|
| **Nature of the change** | Restructuring business units; Redefining profit centers | Restructuring and cost reduction;<br>Centralizing corporate functions | Growth strategy transforming the way of operating different divisions |
| **Major actions** | Announcing the decision of change;<br>Changing TMT;<br>Redefining the business units;<br>Implementing various projects;<br>Creating new functional departments;<br>Closing some plants;<br>Resetting incentive plans;<br>Redefining profit centers;<br>Creating new platforms for internal ventures | Announcing the decision of change;<br>Changing TMT;<br>Setting up project office;<br>Implementing various projects;<br>Restructuring and redefining regions;<br>Changing the budgeting process;<br>Downsizing the corporation;<br>Changing the functions of the corporation;<br>Resetting incentive plans | Announcing the decision of change;<br>Changing TMT;<br>Implementing the 11 initiatives defined in the new strategy;<br>Changing the way of collaborating with the parent firm;<br>Changing the budgeting process;<br>Redefining the new strategy |
| **Schemes at the beginning** | Scale as a competitive advantage;<br>Growth | Growth as a priority;<br>Business as a cycle;<br>Corporate role as supporting | Catching up as a generalist;<br>Growth |
| **Schemes at the end** | Two ends as strategic: consumers and farms;<br>Regional value chain as a key to success;<br>Growth and profit | Profitability as a priority;<br>Profitability overall;<br>Corporate role as supervising and controlling | Growth in two particular areas as key to success;<br>Growth and profit |

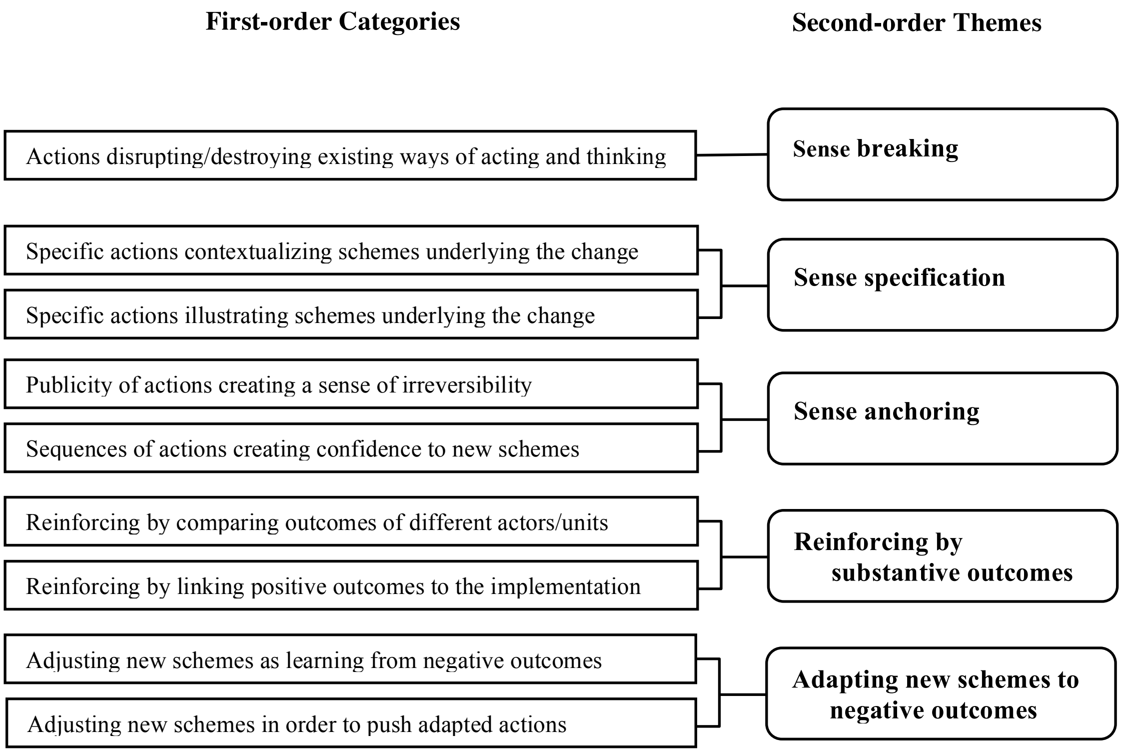


**Figure 4: Data structure of sensegiving mechanisms**

## 4.4 Sensegiving Mechanisms: How Substantive Actions Contribute to Scheme Change

Figure 5 shows the empirically generated model that links the different themes identified from the data analysis. In all the three cases of AgriCo, ManuCo, and ServiCo, the new CEOs began the change process shortly after taking charge and acted to implement the change. The announcement of the change decision and the subsequent actions of implementation generated a high level of uncertainty and ambiguity in the organization. For example, in AgriCo, the decision to restructure business units was announced with managers of each new business unit appointed. People were completely surprised and confused by the prompt change. In order to facilitate the change process, top managers in all cases spent significant effort creating meaning for the change at stake.

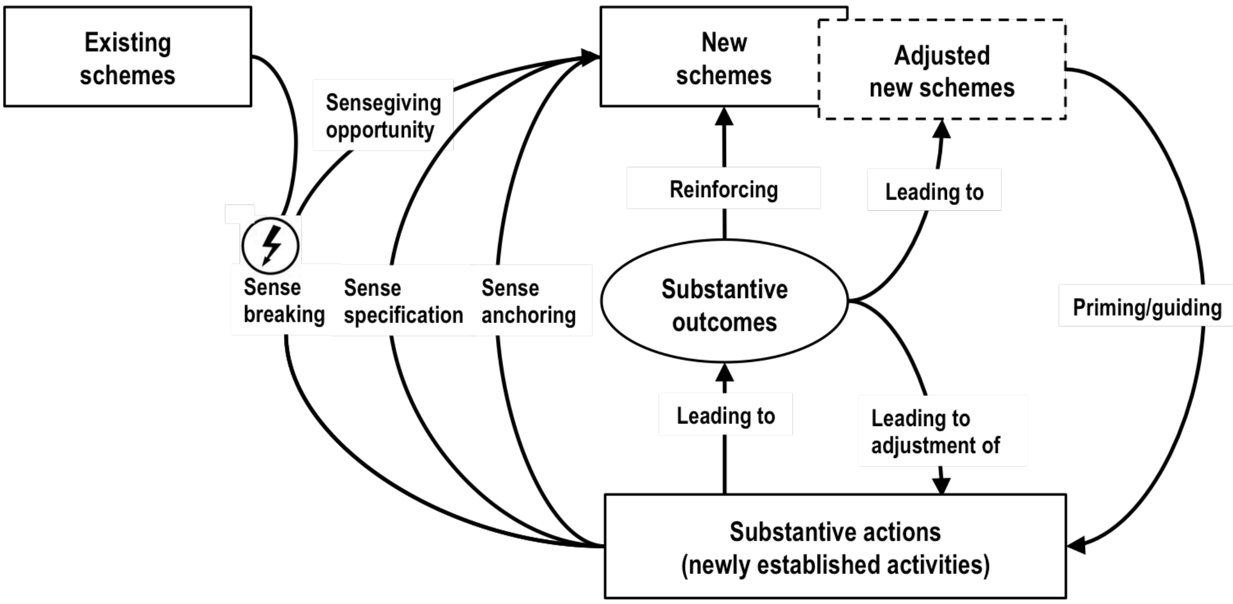


**Figure 5: A model of the role of substantive actions in sensegiving**

We found that the actions of implementation played important roles in top managers' sensegiving, which aimed at changing the interpretive schemes of organizational members. In a direct way, actions contributed to scheme change by sense breaking, sense specification, and sense anchoring. Actions broke the sense generated according to existing schemes, as they disturbed the existing way of acting and thinking. Actions were used to specify what the change and its associated new schemes meant by contextualizing and illustrating them in the organization. Actions were also mobilized to anchor the understanding of organizational remembers to the new schemes by generating a sense of irreversibility and/or confidence in the new schemes. In an indirect way, we found that actions influence scheme change through substantive outcomes. Actions of implementation generated substantive outcomes, such as financial performance and new structures. These outcomes were used by top managers in sensegiving to reinforce the new schemes. In addition, we found that negative outcomes could lead to the adjustment of new schemes. On the one hand, negative outcomes lead to the change to top managers' schemes as a result of learning and therefore to the schemes they wanted to establish in the organization. On the other hand, negative outcomes lead to the immediate adaption of actions, which in turn required top managers to adjust the initial schemes in order to push the newly adapted actions.

In the following, we will present these our detailed findings following the logic of the theoretical model shown in Figure 5. We won't focus on two particular mechanisms, because they are not directly related to our research question. One of them is how substantive actions lead to substantive outcomes and the other is how schemes prim or guide substantive actions. However, we added them in the model because that way the model shows a more comprehensive picture of how schemes and actions are interrelated.

#### 4.4.1 The Direct Role of Substantive Actions in Changing Schemes

*Sense breaking*

The role of actions in sense breaking refers to a situation in which a decision or an activity of change implementation destroyed the existing way of acting and thinking, therefore creating a meaning void in the organization. By forcing organizational members to reexamine and question the existing schemes, sense breaking was found helpful for creating sensegiving opportunities for top managers. In AgriCo, for example, when announcing the decision of restructuring business units, the decision was effective immediately, with new business units being defined and their heads appointed. This action changed the form of collaboration within the organization. The scale of change and its immediate implementation surprised lower-level managers. A high level of anxiety and stress arose, as they could not operate in the old way but were uncertain about how to work in the new structure. As a result, people were forced to reexamine their ways of thinking and acting. A vice head of a new business unit explained the impact of the decision on the existing scheme as follows: *"[In our history, we] never had a change of this scope and this speed. This was actually crashing the traditional mentality of AgriCo."* A head of a large previous unit expressed that he and colleagues did not know how to operate after the change and had to figure out ways of collaborating with other units:

> *How can we develop a new framework of collaboration that can make the new structure work? [...] I spent a long time with my colleagues discussing and figuring that out. ...When implementing the change, there were lots of things that had to be adjusted. For example, the sales manager was pissed off and unwilling to implement the changes because it is too complicated [with the new structure]. [...] The implementation of every change would require adjusting the habits of people.*

As a result of destroying the existing meaning system, sense breaking created opportunities for top managers to promote new schemes that could provide meaning to change. As observed, after each major action, top managers engaged in intense communication to explain the purpose and urgency of the change. This often involved questioning the existing scheme and promoting new schemes. For example, in AgriCo, after announcing the new structure, top managers organized many workshops and meetings in order to clarify their intentions. The CEO acknowledged the confusion and uncertainty people experienced and explained the purpose in an internal meeting:

> *In the last few days, because of the structural change, I have received feedback from many colleagues via phone calls, emails, and other sources. I think that your confusion, doubt, and stress are natural reactions to the change. This is good because that shows that you are willing to change but at the same time also have reflections. In order to clarify the purpose of the change, I want to discuss with you the whole logic and thinking of the change. I hope this will be helpful for your understanding. I will discuss the purposes and the main points of the change.*

By reacting to the confusion caused by the decision, the CEO took the opportunity to draw on new schemes to create meaning for the intended change.

*Sense specification*

Sense specification refers to the situation that actions were mobilized to contextualize and illustrate the desired change and its underlying schemes. When the general decision or target of change was announced, organizational members were often confused by what it really meant. We found that top managers took further actions to illustrate what it meant. For example, in ManuCo, when the CEO announced the change program with an ambitious concrete target of improving profitability, people did not clearly understand what that meant for the organization. Shortly after the announcement, the CEO adjusted the top management team (TMT) and redefined business regions to align the organization to the target, which illustrated what the change meant in terms of organizational adaptation to it. As the CEO explained,

> *But as we said the [change program], then they were wondering what it was, then they could see the organization as an adaptation of the [the change program].... So we have a communication line we then follow, and then people start to understand what it is. [...] I take it [i.e., the TMT change]. So they start to understand what we are doing.*

Similarly in AgriCo and ServiCo, top managers emphasized the importance of actions in clarifying the change ambition. In ServiCo, for example, one important change was to establish local autonomy of operation in relation to the parent firm. The CEO explained by the implementation of eleven initiatives the *"added benefit of making [...] autonomy mean something."*

In addition to illustrating the vision of the change, top managers used actions to show how the general target could be contextualized in the organization in terms of achieving it in particular ways and not in others. For example, in ManuCo, in order to implement the change program, the CEO established a project office at the corporate level that steered the progress of implementation in the operational subsidiaries. This changed the corporate function from supporting to controlling and clarified how the goal of the change could be achieved. An executive member explained the centralized approach of implementing the change, which contrasted with the traditional approach in the firm, as follows:

> *"[T]his is a kind of a main change in this company. In the former time, it was about, let's say it was [executive members] developing ideas and programs. But it was in the so-called entrepreneurial responsibility of the single [executive] member to implement this vision in his area together with his people in their own way. [...] This is more the change of the management style… There are those staff organization (i.e., the project office), making sure hopefully that all these initiatives will be implemented on time. And it's not only [...] the responsibility of the single [executive] member to make sure that this will be done in his area."*

Therefore, as shown the examples above, taking actions can specify what the new scheme underlying the change exactly means and specify how it should be contextualized in the organization in particular ways.

*Sense anchoring*

Sense anchoring refers to the situation in which top managers mobilized actions to commit the organization to the new schemes they tried to establish. First, top mangers used the publicity of actions to generate a sense of irreversibility. For example, in ManuCo, the CEO announced the change program to the media immediately after announcing it internally to the organization. The announcement to external audiences created expectations that organization would deliver the outcomes, therefore committing the organization to the change. As a result of sensing the irreversibility of public actions, organizational members had to adapt their schemes to the new reality. The manager of the project office explained this situation as follows:

> *He [the CEO] created the burning platform, which is externally communicating what we want to achieve. This is way hotter than if you just do it internally. This is committing the company. [...] It was announced and announced publicly. So you don't go back and say, ooh, I don't like this or that. You take what's there and then you shape around it and then make it happen.*

The communication manager explained that as the target was announced publicly, the financial community expected the organization to fulfill it within the timeframe announced. He explained,

> *I think the financial community, I mean the big thing for [the CEO] is really to push the [change program] through the organization because if this does not go to the ground, then you will not have the results. So that's from an internal point of view very important...On the other hand, for the external part, it's important that at least we fulfill, step by step, [the target].*

Similarly, the structural change in AgriCo was also announced publicly. In ServiCo, the CEO organized workshops to disseminate the growth strategy involving all the organizational members. The publicity of such a bold decision created a sense that the change is irreversible and therefore helpful for tying the understanding of organizational members to the new reality.

The second way of sense anchoring is using the sequence of actions as consistent with new schemes in order to build organizational members' confidence in these schemes. We found that top managers took sequences of bold actions and framed them consistently with steps of the change program to show that the change is ongoing and becoming a fact. For example, in internal communication in AgriCo, the CEO often recalled the recent actions to show the progress of change. As one instance, the CEO explained in an internal meeting how different actions were linked to the new scheme of competitive capability:

> *We need to focus on competitive capability in specific markets, not the general scale. Therefore, we carried a series of changes: the restructuring of business units, the adjustments of four regions, redefining profit centers, increasing the investment in markets abroad, and today, the change in the executive team.*

By taking bold decisions and actions that were communicated as consistent steps of the change program, top managers create a reality that the change is becoming a fact.

### 4.4.2 The Indirect Role of Substantive Actions in Changing Schemes

In AgriCo, ManuCo, and ServiCo, the actions taken by top managers generated substantive outcomes during the change process. The first type of outcome is performance, both financial and operational, such as market share, quality improvement, etc. The second type of outcome includes new structures and practices set up or developed during change implementation. We found that these substantive outcomes played important roles in top managers' sensegiving.

*Reinforcing new schemes by substantive outcomes*

During change implementation, early success and positive outcomes were used to rationalize the change. Some early worries and concerns were recalled and justified by showing the intermediate success. In this way, top managers reinforced the new schemes that underlined the change. For example, in ManuCo, the CEO explained that he linked the visible outcomes to the change in his year-end message: *"I insisted on just recalling; okay, we see the first visible effect and recalling why we do what we do."* The CEO even intended to gain early success that could demonstrate a visible effect of the change. A top manager explained this intention, *"the ambition was to take, to earn the low-hanging fruits as fast as possible but then to implement in the budget process clear targets and clear actions."* Similarly, in AgriCo, the CEO recalled the early reactions to the change and used positive outcomes to justify the change in an internal meeting:

> *When we announced the change in July, how many people told me: "it is too fast," "it will fail," "there will be lots of problems," "it will be a disaster." But it is with our colleagues we have solved all the problems, collaborated with each, and made the transformation. […]We regain our competitive strengths quickly. […] Within two months, we achieved a new position and success in the market. All this is because you have believed in the idea of focusing on developing and value creation in local markets.*

We also found that as different business units and regions might have produced different outcomes, top managers drew on the difference to criticize the ones with negative outcomes as having not progressed with the change. In AgriCo, for example, in an internal meeting, the CEO compared different business units in terms of their progress in the change process and criticized the underperforming ones as not implementing the change enough:

> *To implement the change, we have a lot of work to do. However, some of you did and some did not. We can see that those who did the implementation have achieved good performance. Let's look at the units that implemented the best, such as [Unit J], which made radical changes and transformation. Their effort has earned them excellent results. […] However, I still see that many subsidiary firms are not willing to change and instead keep the traditional way of thinking in operation. As a result, they are not able to achieve good performance.*

Therefore, by attributing positive outcomes to the implantation of the change and negative outcomes to insufficient implementation, top managers tried to reinforce the new schemes underlying the change as rational.

*Adapting new schemes and actions to negative outcomes*

We found that negative outcomes can lead to the adaption of actions and sometimes also the adjustment of the new schemes. In all three cases of AgriCo, ManuCo, and ServiCo, top managers adjusted their courses of action during the change implementation. This was because top managers were also experimenting with various ideas and initiatives through trail-and-error. For example, in AgriCo, the CEO communicated to the organization several times that *"act fast and don't worry about making mistakes. […] We can always adjust, but if* *you don't act, you would never know where things can go wrong."* As a result of the declining financial performance and quality drop in a major product, the CEO made a major adjustment to the new structure they implemented six months ago. In ManuCo and ServiCo, some initiatives were dropped, as they did not produce positive outcomes. In order to push the newly adapted actions, top managers often needed to refine or adjust the initial new schemes to make the those actions meaningful. For example, in AgriCo, the CEO needed to react immediately to the quality drop and declining performance of one unit after restructuring several business units and had to take another decision to re-separate two large units that were joined half a year ago. In order to facilitate this adapted action, top managers adjusted the new schemes by emphasizing local accountability as a central logic for deciding on designing organizational structures.

As emerged from our data analysis, we also found that significant negative outcomes sometimes led to the adjustment of new schemes directly because top managers learned that certain ideas wouldn't work. For example, in ServiCo, at the beginning, the CEO announced a vision of becoming a leader in one of the services instead of catching up with the generalists in the market. As the CEO explained, *"we wanted to sort of set out an ambition for leadership, rather than one of just catching up. And our ambition for leadership was we want to become the number one [service A] firm in [the country]."* However, after a year, the firm was not able to grow quickly enough by focusing only on service A. As a reaction, the top management changed the vision to focus on two services, A and B. The CEO explained this change as follows:

> *[W]e got agreement that we would – it is about [becoming one of the main competitors], not that we're going to have a big [Service A] business with a very small [Service B] firm, we don't think that's the right thing. So they've agreed to a strategy, they've agreed to focus on both of these.*

As a result of adjusting the new schemes, new initiatives were guided by the adjusted schemes. In the case of ServiCo, new initiatives to strengthen Service B, such as merging a smaller firm, were developed and implemented.

As shown in Figure 5, the new schemes and their adjusted versions primed and guided the actions of change and newly established activities in the organization. We found that top managers were mindful of taking actions that were consistent with the schemes they wanted to establish. However, as this link is not the focus of this paper and is well established in the literature (Weber and Glynn, 2006), we do not focus on explaining it here.

## 4.5 Discussion and Conclusion

### 4.5.1 Mechanisms of Substantive Actions Contributing to Scheme Change

In this paper, we set out to examine the role of substantive actions in sensegiving during strategic change, in terms of how they contribute to the adjustment of interpretive schemes in the organization. We find that that by creating contexts and resources for sensegiving, substantive actions can contribute to scheme change through two types of mechanisms. The first type of mechanism includes sense breaking, sense specification, and sense anchoring, which contribute to scheme change in a direct way. Substantive actions can disturb and destroy the existing way of thinking and acting, thereby forcing organizational members to reexamine their interpretative schemes. As substantive actions often contradict the existing schemes, organizational members need new schemes to make sense of organizational reality. As a result, breaking the existing sense substantive actions can create a meaning void that provides the opportunity for top managers to promote new schemes, according to which the strategic change is considered meaningful. This role of substantive actions in sense breaking is also indicated by Monin *et al.* (2013) in their study of the norm of justice in the post-merger integration process. Although top managers can break the sense of organizational members only by discourse (Mantere *et al.*, 2012), our finding suggests that actions are more effective, because they directly disturb the existing way of acting and thinking (Monin *et al.*, 2013). For example, as found in the study by Gioia and Chittipeddi (1991), althought the new president tried to question the existing scheme by discussing different scenarios and directing attention to the desired future image, it was difficult to convince organizational members to give up their previously established conceptualization of organizational reality.

Substantive actions also contribute to scheme change by sense specification: illustrating and contextualizing what the change and the new schemes underlying it mean. Although the study of Monin *et al.* (2013) also identifies the concept of sense specification in general, it has not focused on the particular role of substantive actions. We find that in the context infused with a high level of uncertainty and ambiguity, substantive actions can be particularly useful in specifying what the new schemes mean or do not mean because they are more concrete and salient than pure discourses.

Moreover, actions can be useful for anchoring organizational members' understanding of the new schemes underlying the intended change (i.e., sense anchoring). By making bold actions public, top managers can commit the organization to the change because the publicity helps generate a sense of the irreversibility of the change. As organizational members sense that the change is unlikely to be reversed, they will be more open to accept new schemes and stick to them. In addition, sense anchoring also involves taking a sequence of actions and framing them as consistent with the new schemes. This way, top managers are more likely to be able to build confidence in the new schemes, because organizational members can see what happens in the organization become closely tied to the new schemes. Sense anchoring has not been identified in the existing literature and thus adds to our understanding of sensegiving.

The second type of mechanism includes the indirect ways in which actions contribute to scheme change. We find that actions lead to substantive outcomes, such as financial and operational performance, which can influence scheme change in sensegiving. Top managers can use substantive outcomes to reinforce the new schemes by attributing positive outcomes to the change implementation and negative outcomes to insufficient implementation. Moreover, significant negative outcomes can also lead to the adjustment of new schemes. This finding corresponds to the study by Denis *et al.* (1996) who shows that during change implementation, top managers face the challenge to account for negative outcomes (Denis *et al.*, 1996). Our study shows that they sometimes have to change their initial plan. And in order to facilitate and give meaning to the adjusted courses of actions, they may have to adjust the schemes they promoted at the beginning. After all, top managers may actively learn by trail-and-error in strategic change. They can refine and adjust their own understanding and therefore the schemes they want to establish.

In summary, our findings contribute to the understanding of how actions generate contexts and resources that can be used by top managers for sensegiving. Our findings of the significant role of actions in sensegiving correspond to Weick's (1995) proposition that "action produced the controls, orderliness, and structure, all of which improve sensemaking, and not the reverse" (p. 168).

### 4.5.2 Evolution of New Schemes During Strategic Change

This study contributes to our understanding of the temporal evolution of interpretive schemes during strategic change in two ways. First, we show that top managers sometimes must establish new schemes while taking substantive actions, which is in contrast to the prominent pattern found by many existing studies. The literature often describes that the sensegiving of top managers takes place in the early stage of initiating strategic change, in which top managers question the existing schemes and establish new ones before change implementation (Gioia and Chittipeddi, 1991; Gioia and Thomas, 1996; Gioia *et al.*, 1994;

Mantere *et al.*, 2012). These studies show a pattern of scheme change before taking substantive action. Therefore, by drawing on newly established schemes, organizational members can see the change as meaningful and support the actions of implementation. For example, in the study by Gioia and Chittipeddi (1991), top managers started taking substantive actions, such as establishing a strategic planning team, only after a whole year of initiating the change. However, in the three cases studied here, there did not exist a long phase of initiating and preparing for the desired change; instead, top managers took actions to implement the change immediately or shortly after announcing the decision. Especially in the cases of AgriCo and ManuCo, the change was prompt and implemented immediately after its announcement. In such cases, we find that top managers engage in sensegiving while taking actions to implement the change; this pattern is very different from the one described above. Our findings on the role of substantive actions in contributing to scheme change seem particularly relevant for understanding the sensegiving dynamics when top mangers are under time pressure to implement strategic change.

Second, our study shows that the new schemes that top managers established or tried to establish at the early stage of strategic change are subject to further adjustments. We find that the new schemes sometimes have to be adjusted to adapt to substantive outcomes during change implementation. This finding suggests that to fully understand top managers' role in strategic change, it is necessary to examine top managers' sensegiving in change implementation (Monin *et al.*, 2013), rather than only in the planning or initiating phase of strategic change, which has been the focus of previous studies (Gioia and Chittipeddi, 1991; Gioia and Thomas, 1996; Gioia *et al.*, 1994; Mantere *et al.*, 2012). Although some studies investigate sensegiving dynamics in strategic change implementation, they typically focus on middle managers (Rouleau, 2005; Rouleau and Balogun, 2011). Our findings add to this literature by showing how top managers engage in sensegiving during change implementation.

### 4.5.3 Limitations and Opportunities for Future Research

Like all research, ours has limitations, which also provide opportunities for future research. First, due to the purpose and scope of this study, we focus on sensegiving mechanisms without linking them to the outcomes of strategic change, such as the degree of success or deviation from initial targets. Especially because we show a pattern of sensegiving, i.e., scheme change while taking actions of implementation, in contrast to that of scheme change before taking actions as described in the literature (Gioia and Chittipeddi, 1991; Gioia and Thomas, 1996; Gioia *et al.*, 1994; Mantere *et al.*, 2012), it will be interesting to compare the two patterns of sensegiving in terms of how they lead to different outcomes of strategic change. Second, this study has not explicitly focused on top managers' discursive capacities and competence in sensegiving (Maitlis and Lawrence, 2007; Rouleau and Balogun, 2011). A recent study by Rouleau and Balogun (2011) shows the importance of discursive competence in achieving successful sensegiving. As actions can generate contexts and resources that did not previously exist, it may require particular discursive competence to incorporate these new raw materials in establishing a coherent sense for the change. Future research could examine the particular discursive capabilities associated with sensegiving that involves substantive actions. Moreover, similar to other explorative studies based on case studies, our study's findings are open to be confirmed by future research. Because meaning construction and the ways of conducting it is essentially culturally embedded, future research should particularly examine whether the sensegiving mechanisms found in this study are applicable in different cultural contexts.

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## Appendix: Representative Quotes and Evidence for Sensegiving Mechanisms

| | *AgriCo* | *ManuCo* | *ServiCo* |
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| ***Sense breaking*** | "[In our history, we] never had a change of this scope and this speed. This was actually crashing the traditional mentality of AgriCo." (middle manager, interview)<br>"In the past they were two separate divisions that were not related to each other. Now the relationship between them is a matrix, […] so now there are conflicts between them. [The new structure] requires them to change the way they manage, to a huge extent. However, they are still not used to it. […] They are used to the previous approach that focused on production but not on service. This change of logic is big transformation and thus a huge challenge for them." (CEO, interview) | "I think the [change program] obviously came to the executive committee members and so on as a surprise from a country perspective. Again, because it was just from the way it was done. It was completely different and so on. We were not asked, but we have to deliver. And then, you know, practically, how much is me, you know, and how does it work?" (top manager, interview)<br>"And you can scare people like hell [by announcing the decision of the change] but what's the point." (middle manager, interview)<br>"I communicate 2011/2012 to create the urgency [to achieve the project]. But you have all those classics when you create short-term urgency through the organization. It goes well at a certain time and then there's the reaction to stress." (CEO, interview) | *One major change was to become independent from the parent firm in the operation. Many managers suddenly realized that they did not get any support from their colleagues from the parent firm any more and were trying to figure out how to operate in the autonomic framework of operation. A top manager referred to the new framework as* "a cost of autonomy." |
| ***Sense specification*** | "As to [this logic behind] the change, the separation between production and sales, being close to end customers and being close to farmers, […] we had discussed enough. […] Now the most important is to transform the logic to actions so that they can see it visibly." (top manager, interview)<br>"We have created at least five operational centers as examples for experimenting. This is to show others [how the new structure could work]. […] So I started the change in the [east] region." (CEO, interview)<br>"I like a lot the innovation of working model in the east region. Why? Because this model corresponds to the organizational transformation. It is a good practice of implementing the idea. " (CEO, internal meeting) | "But again, you see what one would call consequence management or whatever. The consequence, looking at it, analyzing it and saying this is what I have to do to get a change. So, in that respect, very consistent, very bold, very bold moves as such, and now it's up to the organization to adapt and take it on." (top manager, interview)<br>"But as we said the [change program], then they were wondering what it was, then they could see the organization as an adaptation of the [the change program].... So we have a communication line we then follow, and then people start to understand what it is. […] I take it [i.e., the TMT change]. So they start to understand what we are doing." (CEO, interview) | "What does that mean? You know, does that mean you're going to get rid of some [service leaders]? […] I then talked to them individually about the seven [service leaders] who are leaving our business this year. And I talked openly that some of those had been initiated by us and some of them have been initiated by them." (CEO, interview)<br>"I still think that, you know, when you change a business model […] you could have some [people] say oh well, is it really different or not? So I think part of - part of it has been a reaction that, you know, you can see the need still to create a more - a bigger sense of ownership for the business and the partners here." (CEO, interview) |

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| ***Sense anchoring*** | *A further decision of creating smaller operational centers made the members of meat sales division feel it is unlikely that the change would turn back. As a middle manager described:* "When our colleagues in the sales division saw the decision, they realized 'oh, it is really unlikely that they could turn back to the old model. Therefore, they changed and began collaborating with us. They really started to change their mind at that point and gave the illusion of turning back to the previous model." (middle manager, interview)<br>"We need to focus on competitive capability in specific markets, not the general scale. Therefore, we carried a series of changes: the restructuring of business units, the adjustments of four regions, redefining profit centers, increasing the investment in markets abroad, and today, the change in the executive team." (CEO, internal meeting) | He [the CEO] created the burning platform, which is externally communicating what we want to achieve. This is way hotter than if you just do it internally. This is committing the company. […] It was announced and announced publicly. So you don't go back and say, ooh, I don't like this or that. You take what's there and then you shape around it and then make it happen. (top manager, interview)<br>"But he's very, very consistent in his messages. I mean if you look at his messages from beginning until now, it's always the same priorities and always the same principles, he just demands more and more, which I think sets a direction." (CEO assistant, interview)<br>"[The CEO] said one third of the executive committee is replaced because we don't believe they will make the change. I mean, this was not communicated. This was communicated a bit nicer, but everybody understood the message." (top manager, interview) | "What I'm doing, you know the expression, nail your colors to the mast, we're now saying, we're bloody going to do it. […] And we're going to be up there, head above the parapet, and we can be challenged on it, and people can review how successfully we're doing as to whether we're really taking the right actions that are needed to. So this is quite a different – a much clearer approach. I mean, I guess it's really the next stage of evolution of the firm." (CEO, interview)<br>"What I put out there was, you know, you can all say yes, but here are the five asks I have of you. And if you're not prepared to – if by June we haven't made real progress on each of these, then I know you don't mean it. Right, so, you know, this is my test now." (CEO, interview) |
| ***Reinforcing schemes by substantive outcomes*** | "The progress of the transformation [in east region] is significant. Most important aspects are three: […]. I am very happy about these three points, especially the most important I can see is the fact that including [head of the region], all the heads of the units, all the factories, and managers of our subsidiaries, you had the competence of managing the change and made the transformation of your attitude and behaviors. This is the my first comment on the east region." (CEO, internal meeting)<br>"When we announced the change in July, how many people told me: "it is too fast," "it will fail," "there will be lots of problems," "it will be a disaster." But it is with our colleagues we have solved all the problems, collaborated with each, and made the transformation. […]. We regain our competitive strengths quickly. […] Within two months, we achieved a new position and success in the market. All this is because you have believed in the idea of focusing on developing and value creation in local markets." (CEO, internal meeting) | *In every quarterly results published, the progress of the change project against the final targets were updated, such as what have been achieved in terms of both operational and financial outcomes.*<br>"I insisted on just recalling; okay, we see the first visible effect and recalling why we do what we do." (CEO, interview)<br>"the ambition was to take, to earn the low-hanging fruits as fast as possible but then to implement in the budget process clear targets and clear actions." (top manager, interview) | *Some positive outcomes were reflected on in the second year to push the change further. The CEO explained:* "So transform the [service leadership] team, get clients and markets at the heart of the business, those are the sorts of things that we were focused on but making them really real and picking some off that we could show tremendous progress against in year one. So there's much more about meaningful actions and executing on them rather than just grand, grand plans."<br>*The CEO thought that he could have taken more substantive actions in the first year, because showing outcomes is important:* "one of the learns for me I think has been to be clear about what we really need to do, that is going to demonstrate real progress." |

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| ***Adapting schemes to negative outcomes*** | *Because of the coordination conflict, quality dropped significantly in four months. Therefore, the CEO readjusted the change plan, as she expressed* "Of course I had to base on reality and made adjustment to the change." *Because of this adaption, the schemes were also framed differently to account for that, emphasizing on the accountability of the new profit center.*<br>"[A]ct fast and don't worry about making mistakes. […] We can always adjust, but if you don't act, you would never know where things can go wrong." (CEO, internal meeting) | *Some of the projects were not successful and the CEO adjusted his approaches in the second year. However, there was not discerned adjustment of schemes.* | "[W]e got agreement that we would – it is about [becoming one of the main competitors], not that we're going to have a big [Service A] business with a very small [Service B] firm, we don't think that's the right thing. So they've agreed to a strategy, they've agreed to focus on both of these." (CEO, interview)<br>"Part of it last year was you kind of went in with a plan which I sense was just too, you know, too fizzy, too ambitious, and I just vowed, particularly when we had a bad first quarter, I made a promise to myself then that we would do - approach this in a different way this time as well." (CEO, interview) |

# Curriculum vitae

## Personal details

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|---|---|
| First name Last name | Shenghui Ma |
| Date of birth | 27.11.1986 |

## Education

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|---|---|
| September 09 – February 16 | Doctoral program at the University of Zurich, Department of Business Administration, Chair of Organization and Management |
| September 13 – February 14 | Visiting Ph.D. Student at HEC Montreal, Prof. Ann Langley, Canada Research Chair in Strategic Management in Pluralistic Settings |
| September 07 – July 09 | Master of Science, South China University of Technology, Business Administration specialization |
| September 03 – July 07 | Bachelor of Science, South China University of Technology, Business Administration specialization |

## Professional experience

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|---|---|
| Since March 16 | Senior Research Associate at the Chair of Organization and Management, University of Zurich |
| September 10 – February 16 | Research Associate at the Chair of Organization and Management, University of Zurich |